THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in MIE Holdings Corporation, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

MIE HOLDINGS CORPORATION
MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PROPOSED DISPOSAL OF 40% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 7 to 20 of this circular.

A notice convening the EGM of the Company to be held at Units 5906–5912, 59th Floor, The Center, 99 Queen's Road Central, Hong Kong on Friday, June 24, 2022 at 10:30 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.mienergy.com.cn).

Whether or not you are able to attend and vote at the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to 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 as soon as possible but in any event not later than 10:30 a.m. on Wednesday, June 22, 2022 (Hong Kong time). Completion and return of the form of proxy as instructed will not preclude you from attending and voting in person at the EGM if you so wish.

June 6, 2022

CONTENTS

* *Including a note on financial information of the Target Group*

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

"2016 SPA"	the share purchase agreement dated 5 March 2016 entered into among the Company, the Target Company and Reach Energy in relation to the disposal of 60% of the issued share capital of the Target Company, further details of which are set out in the Company's announcement dated 7 March 2016
"Agreement"	the sale and purchase agreement dated 20 January 2022 entered into by and among the Company, the Seller, MIE Maple and the Purchaser in relation to the Proposed Transaction, as amended by the Side Letter
"Board"	the board of Directors
"Company"	MIE Holdings Corporation, a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Stock Exchange with stock code 01555
"Competent Body"	the Ministry of Energy of Kazakhstan carrying out on behalf of Kazakhstan the rights, connected to execution and implementation of the subsoil use contracts in the oil and gas sphere, with the competencies for the oil and gas and petrochemicals industries, and transportation of raw hydrocarbons, or its legal successor
"Competent Person"	Gaffney, Cline & Associates
"Competent Person's Report"	the competent person's report, which is set out in "Appendix IV — Competent Person's Report" of this circular, prepared by the Competent Person in accordance with the Listing Rules
"Completion"	completion of the Proposed Transaction in accordance with the terms of the Agreement
"Completion Date"	the fifth business day after the date on which the last of the Conditions (other than (4) and (5) of the Conditions) is fulfilled or, as the case may be, waived in accordance with the terms of the Agreement or such other date as the parties to the Agreement may agree in writing
"Consideration"	the aggregate consideration for the Proposed Transaction

"Contracts" the contracts comprising:

(1) the Hydrocarbon Production Contract for the Aksaz field between Kazakhstan and Emir-Oil with Registration Number: 3737-UVS and dated 9 September 2011;

(2) the Hydrocarbon Production Contract for Dolinnoe field between Kazakhstan and Emir-Oil with Registration Number 3735-UVS and dated 9 September 2011;

(3) the Hydrocarbon Extraction Contract for the Emir Field between Kazakhstan and Emir-Oil with Registration Number 3890-UVS and dated 1 March 2012;

(4) the Hydrocarbon Production Contract for Kariman field between Kazakhstan and Emir-Oil with Registration Number: 3736-UVS and dated 9 September 2011;

(5) the Hydrocarbon Production Contract for North Kariman field between Kazakhstan and Emir-Oil with Registration Number: 4785-UVS and dated 5 January 2020;

(6) the Hydrocarbon Production Contract for Kariman field between Kazakhstan and Emir-Oil with Registration Number: 4784-UVS and dated 5 January 2020; and

(7) the Contract on Exploration for Hydrocarbon Raw Materials on the Site of "Aksaz-Dolinnoe-Emir" between Kazakhstan and Emir-Oil with Registration Number: 482 and dated 9 June 2000, and the amendments thereof

"Control" the power of a person to secure, directly or indirectly, (whether by the holding of shares, possession of voting rights or by virtue of any other power conferred by the articles of association, constitution, partnership deed or other documents regulating another person or otherwise) that the affairs of such other person are conducted in accordance with his or its wishes and "**Controlled**" and "**Controlling**" shall be construed accordingly

"Deferred Consideration"	the outstanding amount to be paid by Reach Energy to the Company as provided in the 2016 SPA
"Directors"	the Directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held to approve, among other things, the Agreement and the transactions contemplated thereunder
"Emir-Oil"	Emir-Oil LLP, a company registered under the laws of Kazakhstan
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards
"Independent Third Party"	an individual(s) or a company(ies) who or which is(are) independent of the Company and connected persons (as defined in the Listing Rules) of the Company
"Kazakhstan"	the Republic of Kazakhstan
"Latest Practicable Date"	May 30, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Loans"	the shareholder loans owed to MIE Maple by the Target Company pursuant to the loan agreements between MIE Maple and the Target Company
"MIE Entities"	the Company, the Seller and MIE Maple
"MIE Loan"	the outstanding loan advanced by the Purchaser to the Company pursuant to facility agreements entered into between the Purchaser and the Company on 10 August 2017 and 1 February 2018 in respect of a HK$1,255,000,000 term loan facility and a HK$476,350,000 term loan facility, together with all interest accrued thereon as amended and restated from time to time and as further amended and restated on 30 March 2022

"MIE Maple"	MIE Maple Investments Limited, a company organized under the laws of the British Virgin Islands
"percentage ratio"	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
"Proposed Assignment"	the proposed assignment and transfer to the Purchaser of (i) the Loans and (ii) the rights, title, interest and benefit in the Deferred Consideration and the Remaining Completion Amount pursuant to the Agreement
"Proposed Disposal"	the proposed disposal of the Sale Shares by the Seller to the Purchaser pursuant to the Agreement
"Proposed Transaction"	the Proposed Disposal and the Proposed Assignment
"Purchaser"	Hammer Capital Asia Limited, a company organized under the laws of the British Virgin Islands
"RE Subsidiary"	Reach Energy Ventures Sdn Bhd, a company organized under the laws of Malaysia
"Reach Energy"	Reach Energy Berhad, a company organized under the laws of Malaysia
"Remaining Completion Amount"	the amount to be paid by Reach Energy to the Company as provided in the 2016 SPA
"Remaining Group"	the Group other than the Target Assets as contemplated under the Agreement
"RMB"	renminbi, the lawful currency of the PRC
"Sale Shares"	7,200 shares in the Target Company, representing 40% of all issued share capital of the Target Company as at the date of this circular
"Seller"	Palaeontol Coöperatief U.A., a company organized under the laws of the Netherlands
"Shareholders"	holders of shares in the capital of the Company
"Shareholders' Agreement"	the shareholders' agreement dated 11 April 2016 entered into by and among Reach Energy, the Company, RE Subsidiary and the Seller in respect of the management and administration of the Target Company's affairs and business (as may be from time to time supplemented, revised or otherwise modified)

"Side Letter"	the side letter dated 27 April 2022 entered into by and among the Company, the Seller, MIE Maple and the Purchaser in relation the Proposed Transaction and the Agreement
"Stage 1 Completion Date"	the fifth (5th) Business Day after the date on which the last of the Stage 1 Conditions is fulfilled or such other date as the parties to the Agreement may agree in writing
"Stage 2 Completion Date"	the fifth (5th) Business Day after the date on which the last of the Stage 2 Conditions is fulfilled or, as the case may be, waived in accordance with the Agreement, or such other date as the Parties may agree in writing
"Stage 1 Conditions"	Conditions (1), (2), (4) (to the extent relevant to Stage 1 Completion and with reference to Completion Date being replaced with a reference to the Stage 1 Completion Date), (5) (with reference to Completion Date being replaced with a reference to the Stage 1 Completion Date), (6) (to the extent relevant to Stage 1 Completion) and (7) (to the extent relevant to Stage 1 Completion) under the paragraph headed "The Agreement — Conditions precedent" in this circular
"Stage 2 Conditions"	Conditions (3), (4), (to the extent relevant to Stage 2 Completion and with reference to Completion Date being replaced with a reference to the Stage 2 Completion Date), (5) (with reference to Completion Date being replaced with a reference to the Stage 2 Completion Date), (6) and (7) under the paragraph headed "The Agreement — Conditions precedent" in this circular
"Stage 1 Consideration Amount"	USD15,116,317, being the consideration for Deferred Consideration and Remaining Completion Amount
"Stage 2 Consideration Amount"	USD39,883,683, being the consideration of the Sale Shares and the Loans
"Stage 1 Longstop Date"	30 June 2022 (or such later date as the Parties may agree in writing)
"Stage 2 Longstop Date"	a date which is eight (8) months from the date of the Agreement (or such later date as the Parties may agree in writing)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Assets"	means (i) Sale Shares, (ii) the Loans and (iii) the Deferred Consideration and the Remaining Completion Amount
"Target Company"	Palaeontol B.V., a company incorporated under the laws of the Netherlands, which is held as to 40% and 60% respectively by the Seller and RE Subsidiary as at the date of this circular
"Target Group"	the Target Company and its subsidiaries
"USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent

For the purpose of this circular and for illustration purposes only, amounts denominated in USD have been converted into HK$ using the exchange rate of USD1.00 = HK$7.7930. No representation is made that any amount in USD or HK$ could have been or could be converted at such rate or at any other rates at all.

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.

MIE HOLDINGS CORPORATION
MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

Executive Directors
Mr. Zhang Ruilin
Mr. Zhao Jiangwei
Mr. Lam Wai Tong

Non-executive Directors
Mr. Guan Hongjun
Ms. Gao Yan

Independent non-executive Directors
Mr. Mei Jianping
Mr. Liu Ying Shun
Mr. Yeung Yat Chuen
Mr. Guo Yanjun
Mr. Ai Min

Registered office
P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Beijing Office
Room 1301–1303
North Star Times Tower
No. 8 North Star East Road
Chaoyang District
Beijing 100101
The People's Republic of China

June 6, 2022

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PROPOSED DISPOSAL OF 40% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement dated 20 January 2022, 15 March 2022, 27 April 2022 and 30 May 2022 in relation to the Agreement entered into by and among the Company, the Seller (a wholly-owned subsidiary of the Company), MIE Maple (a wholly-owned subsidiary of the Company) and Purchaser (an Independent Third Party), pursuant to which, (1) the Seller has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Shares, (2) MIE Maple has conditionally agreed to assign and transfer to the Purchaser, and the Purchaser has conditionally agreed to accept the assignment and the transfer of the Loans, and (3) the Company has conditionally agreed to assign and transfer to the Purchaser, and the Purchaser has conditionally agreed to accept the assignment and transfer of the rights, title, interest and benefit in the Deferred Consideration and Remaining Completion Amount, in respect of which, the Consideration to be paid by the Purchaser to the Company (on behalf of the MIE Entities) shall be USD55,000,000.

As at the date of the Latest Practicable Date, the Sale Shares represented 40% of all issued share capital of the Target Company, which held all issued share capital of Emir-Oil. Upon completion of the Proposed Disposal, the Seller will cease to hold any shares or other interest in the Target Company and Emir-Oil.

The purpose of this circular is to give you, among other things: (i) further details of the Agreement and the Proposed Transaction, (ii) the financial information of the Group, (iii) the financial information of the Target Group, (iv) the unaudited pro forma financial information of the Remaining Group, (v) the Competent Person's Report, and (vi) a notice convening the EGM.

THE AGREEMENT

A summary of the principal terms of the Agreement is set out below:

Date 20 January 2022 (as amended by the Side Letter dated 27 April 2022)

Parties

(1) the Company;

(2) the Seller;

(3) MIE Maple; and

(4) the Purchaser (as the purchaser).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of the Latest Practicable Date, each of the Purchaser and its ultimate beneficial owners was an Independent Third Party.

Subject matters On and subject to the terms of the Agreement:

(i) The Company shall assign and transfer to the Purchaser, and the Purchase shall accept the assignment and transfer of the rights, title, interest and benefit in the Deferred Consideration and the Remaining Completion Amount on the Stage 1 Completion Date ("**Stage 1 Completion**"); and

(ii) the following shall take place simultaneously on Stage 2 Completion Date ("**Stage 2 Completion**"):

(a) the Seller shall sell, and the Purchaser shall purchase the Sale Shares together with all rights attaching thereto but not limited to all dividends paid, declared or made by Emir-Oil in accordance with the Shareholders' Agreement on or after the Agreement; and

(b) MIE Maple shall assign and transfer to the Purchaser, and the Purchaser shall accept such assignment and transfers of the Loans,

in each case free from all encumbrances (other than those created in favour of the Purchaser to secure the MIE Loan).

Right to designate No later than five (5) Business Days prior to the Completion Date, the Purchaser shall have a right, by giving notice to the MIE Entities, to designate one or more person(s) for the purpose of: (i) purchasing all (and not less than all) the Sale Shares; (ii) accepting the assignment and transfer of the rights, title, interest and benefit in and with respect to the Shareholder Loans of MIE Maple under the Shareholder Loan Agreements; (iii) accepting the assignment and transfer of the Company's rights, title, interest and benefit in and with respect to the receipt of the Deferred Consideration and the Remaining Completion Amount from Reach Energy under the 2016 SPA; and/or (iv) where applicable, accepting the assignment and transfer of the Company's rights and obligations under the Shareholders' Agreement and/or accepting such other rights and obligations as may be agreed between the Purchaser, Reach Energy, RE Subsidiary and the Target Company, in each case, in lieu of the Purchaser under this Agreement (each, a "**Designated Party**"). The notice designating the Designated Parties shall be delivered together with the written acceptance of all the terms of the Agreement and other transaction documents by each Designated Party.

The Purchaser and the Designated Parties shall be jointly and severally liable for the performance by the Designated Parties of the duties and obligations arising under or in connection with the Agreement and other transaction documents. Upon designation by the Purchaser of the Designated Parties, any and all rights of, and benefits conferred upon, the Purchaser (including the benefit of any warranties or undertakings of the MIE Entities) and obligations of the Purchaser (in each case, other than the rights and obligations in relation to its right to designate) shall be transferred and assigned to the Designated Parties on a joint and several basis with the Purchaser.

For the avoidance of doubt, any designation by the Purchaser of the Designated Parties shall not in any manner whatsoever: (i) affect any right of the MIE Entities under the Agreement; or (ii) create, or be deemed to expand or increase, any liability, obligation, commitment or expense of any kind on the part of the MIE Entities under this Agreement.

On 20 and 23 May 2022, respectively, the MIE Entities received notices from the Purchaser designating Super Racer Limited as Designated Party for the purpose of: (i) purchasing all (and not less than all) the Sale Shares; (ii) accepting the assignment and transfer of the rights, title, interest and benefit in and with respect to the Shareholder Loans of MIE Maple under the Shareholder Loan Agreements; and (iii) accepting the assignment and transfer of the Company's rights, title, interest and benefit in and with respect to the receipt of the Deferred Consideration and the Remaining Completion Amount from Reach Energy under the 2016 SPA.

Super Racer Limited is principally engaged in investment holding. The Company confirms that each of (i) Super Racer Limited and (ii) Mr. Cheung Siu Fai, who is the ultimate beneficial owner and ultimately controls 100% of Super Racer Limited, is an Independent Third Party.

Consideration and payment

The Consideration shall be the payment by the Purchaser to the Company (on behalf of the MIE Entities) of an aggregate amount of USD55,000,000.

The Parties agree that the Consideration will be netted off against part of the outstanding amount due by the Company to the Purchaser under the MIE Loan in two stages in the following manner:

(i) on the Stage 1 Completion Date, the Stage 1 Consideration Amount shall be netted off against the part of the outstanding amount due by the Company to the Purchaser under the MIE Loan at the Stage 1 Completion Date on a dollar-for-dollar basis; and

(ii) immediately following Stage 2 Completion, the Stage 2 Consideration Amount shall be netted off against the part of the outstanding amount due by the Company to the Purchaser under the MIE Loan at the Stage 2 Completion Date on a dollar-for-dollar basis.

Pursuant to the Agreement, the Consideration was split into Stage 1 Consideration and Stage 2 Consideration on the following allocation basis: (i) with respect to the Sale Shares, at the nominal value of share capital USD9,870; (ii) with respect to the Loans at USD39,873,813, being the Consideration at a ratio (expressed as percentage) equal to (a) the face value of the Loans; divided by (b) the aggregate face value of the Loans, the Deferred Consideration and the Remaining Completion Amount, all as 30 September 2021; and (iii) with respect to the Deferred Consideration and the Remaining Completion Amount at USD15,116,317, the Consideration at a ratio (expressed as percentage) to (x) the face value of the Deferred Consideration and the Remaining Completion Amount; divided by (y) the aggregate face value of the Loans, the Deferred Consideration and the Remaining Completion Amount, all as at 30 September 2021.

The Consideration was determined after arm's length negotiations between the MIE Entities and the Purchaser with reference to a number of factors, including the value of the Target Assets at approximately USD55,000,000.

The net book value as at 31 December 2021 of each of the Target Assets being (i) Sale Shares, (ii) the Loans and (iii) the Deferred Consideration and Remaining Completion Amount was nil, USD55,000,000 and nil, respectively, and the outstanding balance of the Deferred Consideration and Remaining Completion Amount as at 31 December 2021 was approximately USD60,700,000. Given that the Deferred Consideration and Remaining Completion Amount had been overdue for over 5 years after various collection attempts and the recoverability of the same is extremely low, the entire balance had been written off in the Company's accounts. The Proposed Transaction is a package deal and the Purchaser would only consider acquiring the Sale Shares if the Target Assets are sold and assigned to the Purchaser as a whole the aggregate Consideration of USD55,000,000.

In determining the aggregate Consideration of USD55 million, the net present value of the 2P reserves attributable to the 40% working interests as at 31 December 2021 (as set out in the Competent Person's Report) was not taken into account for the following reasons: (i) there is a difference between the value of reserves shown in the Competent Person's Report and the fair market value of reserves. The net present value shown in the Competent Person's Report would require a significant funding commitment toward the development of the reserves before the value of the reserves can be realized. Without capital commitment, the Company will not be able to unlock the potential of these reserves; (ii) over the past five years, the Company was impacted by low commodity price and high level of debts and could not generate sufficient cash flow to pay off its debt. As such, the Company does not have additional resources to commit to the development of the reserves and to realize the value; (iii) the fair market value of the reserves is the price at which property would change hands between a buyer and seller, acting at arm's length in an open and unrestricted market. The Company has not been able to secure a higher offer than the aggregate Consideration; and (iv) the net book value of the Loans was largely based on the fair market value of the reserves.

Further, based on the Directors' assessment taking into account the facts that (i) the Company only indirectly owns 40% of the shares in the Target Company and does not have control over the Target Company and its assets, (ii) the capital requirements for development of the mine held by the Target Company would be substantial and therefore a financial burden for the Company, (iii) the Seller had tried to sell its 40% interests in the Target Company but had not received any better offer than those offered by the Purchaser, the Directors consider that, from the perspective of the Company, the commercial value of the 40% interests in the Target Company is not substantial and the sale of the Target Assets at the Consideration of USD55,000,000 can help alleviate the Company's liquidity issues.

Based on the above, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is subject to the following conditions (collectively, "**Conditions**") being satisfied (unless otherwise waived in accordance with the terms of the Agreement) on or before the Stage 1 Longstop Date or Stage 2 Longstop Date (as applicable):

(1) the Company having received:

(a) the approval of the Proposed Transaction from the Shareholders at the EGM as required by, and in the manner prescribed under, the Listing Rules; and

(b) to the extent required, consents, waivers, permissions and approvals in relation to the Proposed Transaction from the Stock Exchange;

(2) to the extent applicable and to the extent that such consent has not been previously obtained:

(a) the Company having obtained the prior written consent of Reach Energy for (i) the assignment and transfer of the Company's rights, title, interest and benefit in the Deferred Consideration and Remaining Completion Amount to the Purchaser, and (ii) the assignment and transfer of the Company's all other rights and benefits under the 2016 SPA to the Purchaser or its designated person(s); and

(b) the Company and the Seller having obtained the prior written consent of Reach Energy, RE Subsidiary and the Target Company for the Proposed Transaction as required under the Shareholders' Agreement including but not limited to waiver of all pre-emption rights and rights of first refusal with respect to the Sale Shares;

(3) the Seller's representative acting on the basis of a power of attorney issued by the Purchaser having procured the approval of the Competent Body for the indirect transfer of subsoil use rights under the Contracts through the sale and transfer of the Sale Shares;

(4) the representations and warranties given by the MIE Entities under the Agreement being true, complete and accurate in all material respects and not misleading up to and including the Completion Date;

(5) the Purchaser being satisfied (acting reasonably) that, as at Completion, there has not been any material adverse change in respect of any member of the Target Group;

(6) the MIE Entities having obtained all other waivers, consents or approvals of any relevant governmental or regulatory authorities or other third parties required or appropriate for, or relevant to, the entry into and the implementation and completion of the Agreement; and

(7) the Purchaser having obtained all other waivers, consents or approvals of any relevant governmental or regulatory authorities (including but not limited to any competition authority) or other third parties required or appropriate for, or relevant to, the entry into and the implementation and completion of the Agreement.

Stage 1 Completion is subject to the Stage 1 Conditions being satisfied (unless otherwise waived in accordance with the terms of the Agreement) on or before the Stage 1 Longstop Date.

Stage 2 Completion is subject to Stage 1 Completion having taken place and Stage 2 Conditions being satisfied (unless otherwise waived in accordance with the terms of the Agreement) on or before the Stage 2 Longstop Date.

For the avoidance of doubt, Stage 2 Completion shall not take place unless Stage 1 Completion has taken place and none of the Parties may waive this Stage 2 Condition.

The Purchaser may, by written notice to the MIE Entities, waive any of (4) and (5) of the Conditions in whole or in part at any time on or before the Stage 1 Longstop Date or Stage 2 Longstop Date (as applicable). For the avoidance of doubt, save as aforesaid, none of the parties may waive any of the conditions in whole or in part.

The relevant MIE Entities (with reasonable assistance from the Purchaser in respect of (2(b)) and (3) of the Conditions) shall use their reasonable endeavours to satisfy or procure the satisfaction of the conditions (other than (4) and (5) of the Conditions) which have not already been satisfied or waived as soon as possible and in any event on or before the Stage 1 Longstop Date or Stage 2 Longstop Date (as applicable).

The Purchaser shall use its reasonable endeavours to satisfy, or procure the satisfaction of, (7) of the Conditions which have not already been satisfied or waived as soon as possible and in any event on or before the Stage 1 Longstop Date or Stage 2 Longstop Date (as applicable).

If the Stage 1 Conditions have not been fulfilled (or, where applicable, waived) in full on or before the Stage 1 Longstop Date, unless specified otherwise in the Agreement, the Agreement shall be automatically terminated and none of the parties shall have any claim against or liability to the other parties in respect of any part of the Proposed Transaction, save in respect of any antecedent breaches of the Agreement.

If the Stage 2 Conditions have not been fulfilled (or, where applicable, waived) in full on or before the Stage 2 Longstop Date, the Parties shall engage in good faith discussions with a view to reaching an agreement on how Stage 2 Completion shall be proceeded with.

Completion

Stage 1 Completion and Stage 2 Completion shall each take place on the Stage 1 Completion Date or Stage 2 Completion Date (as applicable) (or at such other time as the Parties shall agree) subject to and following the satisfaction or waiver of the Stage 1 Conditions or Stage 2 Conditions (as applicable) in full and with the exception of the completion obligations set out in the Agreement which shall take place in the Netherlands at the offices of a notary's office in Amsterdam, Netherlands as agreed by the parties to the Agreement.

If the Parties mutually consider that the Stage 2 Conditions can be satisfied on or around the same date as the Stage 1 Conditions are satisfied, notwithstanding other provisions in the Side Letter, the Parties may, in writing, agree to elect for Stage 1 Completion and Stage 2 Completion to occur simultaneously, such that the Parties will then continue to undertake the Proposed Transaction on the terms of the Agreement.

Without prejudice to any other remedies available to, as applicable, the MIE Entities or Purchaser (as the case may be), if any of the MIE Entities or the Purchaser (as the case may be) fail to observe and perform any of its respective Completion obligations on the Stage 1 Completion Date, the MIE Entities or the Purchaser (as the case may be) may:

(1) defer Stage 1 Completion to a date falling not less than five (5) days and not more than twenty-eight (28) days after the original Stage 1 Completion Date (provided that time, in which case, being of the essence and if Completion is not effected on such deferred date, the Purchaser may terminate the Agreement); or

(2) proceed to Stage 1 Completion so far as practicable (without prejudice to its other rights under the Agreement); or

(3) terminate the Agreement forthwith.

Where the Agreement is terminated by, as applicable, the MIE Entities or the Purchaser pursuant to the exercise of their/its rights as described above, all obligations of, as applicable, the Purchaser or the MIE Entities under the Agreement (including, in particular, the Purchaser's payment obligations of the consideration) shall cease and terminate, and no Party shall have any claim against or liability to the other Parties with respect to any matter referred to in the Agreement save for any antecedent breaches of the Agreement.

Without prejudice to any other remedies available to, as applicable, the MIE Entities or Purchaser (as the case may be), if any of the MIE Entities or the Purchaser (as the case may be) fail to observe and perform any of its respective Completion obligations on the Stage 2 Completion Date, the MIE Entities or the Purchaser (as the case may be) may:

(1) defer Stage 2 Completion to a date falling not less than five (5) days and not more than twenty-eight (28) days after the original Stage 2 Completion Date; or

(2) proceed to Stage 2 Completion so far as practicable (without prejudice to its other rights under the Agreement).

Taxes The MIE Entities shall bear all taxes including stamp duty, stamp duty reserve tax or other documentary or transaction duties and any other transfer taxes and filing, approval or consent fees and any other costs and expenses arising as a result of or in connection with the Agreement or any other transaction document or of the implementation or completion of the Agreement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company organized and existing under the laws of the Netherlands and is an investment holding company held as to 40% and 60% respectively by the Seller and RE Subsidiary as at the date of this circular. As at the date of this circular, the Target Company holds all issued share capital of Emir-Oil, which is a company registered in Kazakhstan and primarily engaged in the business of exploration for and production of hydrocarbons in Kazakhstan.

Set out below is certain financial information on the Target Company:

	For the year ended 31 December	
	2020	**2021**
	approximate	*approximate*
	USD'000	*USD'000*
	(unaudited)	*(unaudited)*
Net loss for the year before taxation and extraordinary items	53,961	15,923
Net loss for the year after taxation and extraordinary items	43,838	19,359

FINANCIAL IMPACT OF THE PROPOSED TRANSACTION ON THE GROUP

As at the date of the Latest Practicable Date, the Seller held the Sale Shares, representing 40% of all issued share capital of the Target Company, which in turn held all issued share capital of Emir-Oil. Upon completion of the Proposed Disposal, the Seller will cease to hold any shares or other interests in the Target Company and Emir-Oil.

The Company expects to record an unaudited disposal loss (before tax and expenses) of approximately USD500,000 (equivalent to approximately HK$3,896,500) based on the management accounts as at 31 December 2021, which is calculated by deducting from the Consideration for the Proposed Transaction (being approximately USD55,000,000 (equivalent to approximately HK$428,615,000) (i) the book value of the Target Assets approximately USD55,000,000 (equivalent to approximately HK$428,615,000); (ii) the reversal of related payables (equivalent to approximately HK$2,337,900) and (iii) transaction expenses. The Target Assets and related liabilities were reclassified as "disposal group classified as held for sale" as at 31 December 2021 and will be net-off against part of the outstanding amount due by the Company to the Purchaser under the MIE Loan at Completion. Upon Completion of the Proposed Transaction, there will be no material liabilities that remain with the Company with respect to the Target Assets.

The actual gain or loss in connection with the Proposed Transaction may be different from the above and will be assessed after completion of the Proposed Transaction and is subject to the review by the Company's auditor.

USE OF PROCEEDS

Pursuant to the terms of the Agreement, the Group will not receive any net cash proceeds from the Proposed Transaction as the full sum of the Consideration will be netted off against the outstanding amounts due by the Company to the Purchaser under the MIE Loan on a dollar-for-dollar basis (i.e. used for partial repayment of the MIE Loan).

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION

Pursuant to the terms of the Agreement, the Consideration shall be applied towards repayment of the amounts due and outstanding under the MIE Loan. The amounts due and outstanding under the MIE Loan (as amended and restated on 30 March 2022 pursuant to the debt restructuring implemented by the Group) before and after completion of the Proposed Transaction are approximately HK$979,800,000 and HK$551,900,000, respectively.

Taking into consideration the facts that (i) the Group does not currently have sufficient internal resources to repay the MIE Loan; (ii) the Proposed Transaction and the netting off of USD55,000,000 against the MIE Loan will (a) alleviate the repayment pressure under the MIE Loan; and (b) moderate the Group's ongoing issues with working capital and going concern by lowering the Group's current liabilities and, in turn, place the Group at a better position to negotiate and obtain fund raising arrangements or debt financing for its business operations and development in future when necessary.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company, the subsidiaries of which are principally engaged in the exploration, development, production and sale of oil and other petroleum products.

The Seller

The Seller is a wholly-owned subsidiary of the Company and holds 40% of all issued share capital of the Target Company as at the date of this circular. The Target Company is an investment holding company, which holds all issued share capital of Emir-Oil as at the date of this circular. Emir-Oil is primarily engaged in the production of hydrocarbons in Kazakhstan.

MIE Maple

MIE Maple is a wholly-owned subsidiary of the Company and is primarily engaged in investment holding.

The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands and principally engaged in investment holding. The Purchaser is 100% controlled by Mr. Tsang Ling Kay Rodney, who is an Independent Third Party.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Proposed Transaction as calculated under the Listing Rules exceeds 75%, the Proposed Transaction constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) under the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM at which an extraordinary resolution will be proposed and, if thought fit, passing the resolutions set out in the notice of EGM, by way of poll.

Any Shareholder with a material interest in the Proposed Transaction and his or her associates will be required to abstain from voting on the resolutions approving the Proposed Transaction.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder would be required to abstain from voting on the resolutions approving the Proposed Transaction at the EGM.

Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's register in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 10:30 a.m. on Wednesday, June 22, 2022 (Hong Kong time). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

RECOMMENDATION

The Board is of the opinion that the Proposed Transaction is fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Therefore, the Board recommends that Shareholders vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Proposed Transaction.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

For and on behalf of the Board
MIE Holdings Corporation
Zhang Ruilin
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the years ended 31 December 2019, 2020 and 2021 is disclosed in both the websites of the Stock Exchange and the Company. Please refer to the hyperlinks as below:

- Financial information for the year ended 31 December 2019:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1211/2020121101313.pdf
- Financial information for the year ended 31 December 2020:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901519.pdf
- Financial information for the year ended 31 December 2021:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042901152.pdf

2. STATEMENT OF INDEBTEDNESS

Set out below are details of the Group's indebtedness as at 30 April 2022:

Borrowings

As at the close of business on 30 April 2022, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group's outstanding indebtedness was approximately RMB4,026.7 million, comprising (i) senior notes of the Company of approximately RMB1,805.8 million; and (ii) secured loans from financial institutions of approximately RMB2,220.9 million.

Charges

As at the close of business 30 April 2022, the Group's interest in the PSCs (as defined below) in China and accounts receivables under the Daan PSC, a bank account, share capital of an associate and certain subsidiaries and other receivables from an associate and a third party were pledged to the secured borrowings in the aggregate amount of RMB2,220.9 million.

Lease liabilities

As at the close of business on 30 April 2022, the Group had outstanding lease liabilities amounting to RMB6.6 million, which were secured by rental deposits paid by the Group.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business as at 30 April 2022, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, and term loans, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

3. CONTINGENT LIABILITIES

As at 30 April 2022, the Group had no material contingent liabilities or guarantees.

4. WORKING CAPITAL SUFFICIENCY STATEMENT

The Directors, after due and careful consideration, are of the opinion that, after taking into account the available financial resources, including but not limited to internal resources and the estimated net proceeds from the Proposed Disposal, the Group will have sufficient working capital for its present requirements for the next 12 months from the date of this circular in the absence of unforeseen circumstances.

5. SIGNIFICANT INVESTMENTS HELD

Particulars of the Company's principal subsidiaries are set out in Note 10 to the financial statements for the year ended 31 December 2021 as included in the Company's annual report for the year ended 31 December 2021.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was a party to any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or the Group.

7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal business of the Group is to engage in the exploration, development, production and sale of crude oil and other petroleum products under production sharing contracts ("**PSCs**") and other similar arrangements.

In recent years, the Group's performance has been significantly affected by the low commodity prices of oil and high borrowing costs for general funding and re-financing purposes. With the continued decrease in oil prices from the end of 2019 to 2020 and the unfavorable outlook of the global economy due to the outbreak of the COVID-19 pandemic, the Group's financial situation began to deteriorate.

In order to protect the interests of the Group's stakeholders, the Company has been involved in extensive negotiations and discussions with creditors and their financial and legal advisers in relation to the restructuring of the Company's liabilities under the existing notes and loans since March 2020. To facilitate the Company's ongoing restructuring efforts, the Company sought the assistance of the court supervised provisional liquidation regime in the Cayman Islands. As a result of such negotiations, a restructuring supporting agreement was entered into by the Company in October 2021.

Subsequently, the Group successfully implemented its restructuring plan in a manner that allows the Company to continue its business operations as a going concern. On 30 March 2022, the Company announced that each of the conditions of the debt restructuring has been satisfied and/or waived, the restructuring of the Company's existing notes and the existing loans became effective. The existing notes had been cancelled and the new notes representing senior notes in the amount of USD$272,871,159 ("**New Notes**") had been issued by the Company. The New Notes were listed on the Singapore Exchange Securities Trading Limited on 31 March 2022. For further details, please refer to the Company's announcements dated 23 February, 18 March, 28 March and 30 March 2022 respectively.

As a result of the restructuring, the financial position of the Group will be significantly improved as summarized below:

(i) payable but unpaid ordinary interest and fees as at 30 June 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 1 July 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 the Company's notes and loan documents have been waived. Terms of the notes and loans have been extended to 31 December 2024, which will be automatically extended to 29 February 2028 once the conditions under the modification and supplemental agreement for the PSC regarding the Daan Oilfield in China are satisfied; and

(v) subject to completion of the Proposed Transaction, the Consideration of US$55.0 million will be offset, on a dollar-for-dollar basis, against the MIE Loan, which will further reduce the Group's financial indebtedness to approximately RMB3,534.0 million.

On the operational level, despite the challenging macro environment and the various restrictions brought by the COVID-19, we are pleased with our achievement in managing an efficient and effective development program. The Group has been implementing epidemic prevention measures while ramping up production volume. Pursuant to a PSC extension agreement entered into on 4 June 2020, the Group is required to drill 268 new wells within 3 years from June 2020. The Group has been carrying out the development program ahead of schedule, thereby creating an opportunity to optimize operations and deliver higher production into a market with robust commodity pricing. In 2021, the Group drilled a total of 154 wells. By the end of 2021, a total of 183 wells were completed, constituting 68% of the 268 new wells that was required under the said agreement.

In 2021 (the "**Current Period**"), crude oil prices increased as pandemic-related restrictions were loosened, and a growing global economy resulted in a higher demand for global petroleum than supply. In response to the strong pricing, the Group increased its capital spending in drilling new oil wells and optimization of existing wells.

During the Current Period, both the gross and net oil and gas production of the Group increased remarkably compared to those in 2020 (the "**Prior Period**"). The Group's gross oil and gas production increased by 3.7% to about 4.8 million barrels of oil equivalent ("**BOE**") and its net production also increased by 13.8% to about 2.48 million BOE. During the Current Period, the Group's net crude oil sales increased by 15.0% to approximately 2.45 million barrels. Furthermore, the average realized oil price of the Group increased by 66.0% to USD64.06 per barrel. During the Current Period, the Group's realized sales revenue also increased by 77.8% to RMB1,017.8 million in comparison to the Prior Period. The EBITDA for the Current Period is RMB810.6 million, which is an increase of RMB1,058.6 million compared to the Prior Period. The adjusted EBITDA increased by 140.6% over the Prior Period to approximately RMB652.1 million. During the Current Period, the Group reported a net loss of RMB338.4 million, which is an improvement by RMB1,013.0 million in comparison to the Prior Period.

Despite the resurgence of oil prices to pre-pandemic levels, the Group will continue to monitor, evaluate and adjust its business costs and will continue to implement changes as required.

In view of the volatile oil prices, the ever-changing business environment and the current restructuring process of the Group, the Directors consider that the Proposed Disposal would allow the Group to focus on its most cash-prolific assets. The restructuring and the Proposed Disposal would help alleviate the Group's liquidity concern.

The Remaining Group immediately after the Proposed Disposal will be principally engaged in the exploration, development, production and sale of oil and other petroleum products in the PRC. The Remaining Group is currently entitled to 100% and 10% participating interest in the foreign contractor's entitlement and obligations under the production sharing contract for Daan oil field and Moliqing oil field, respectively.

Assuming the Proposed Disposal had been completed on 31 December 2021, the estimated total assets and net assets of the Remaining Group as at 31 December 2021 would be approximately HK$2,341.4 million and negative HK$4,862.5 million respectively and the revenue and net loss for the year ended 31 December 2021 would be HK$1,226.3 million and HK$411.1 million respectively.

As seen from the analysis shown above in the section headed "Reasons for and benefits of the Proposed Transaction" in the letter from the Board of this circular, the financial position of the Remaining Group will be enhanced significantly following the completion of the Proposed Disposal, which is beneficial to the long-term development of the Remaining Group. Furthermore, the completion of the Proposed Disposal would also facilitate the Remaining Group to look for new business opportunities.

8. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Set out below is the management discussion and analysis of the business, financial results and position of the Remaining Group for each of the years ended 31 December 2019, 2020 and 2021, and modified as appropriate:

Business overview

Crude oil prices were under downward pressure throughout 2019. In the first quarter of 2019, international oil prices rebounded from the lows in late 2018. Brent crude prices reached an annual daily low of US$55 per barrel in early January and a daily high of US$75.60 per barrel on April 25. Starting from the second quarter, oil prices have been falling due to intensifying international trade disputes, poor global economic data, geopolitical tensions and weak oil demand. The trend extended to the end of 2019. Meanwhile, Canadian natural gas market remained weak in 2019. In response to the complicated economic environment of bearish global crude oil prices and suppressed Canadian natural gas prices, the Remaining Group reduced its spending in Daan on new drillings and focused on enhancing production and recovery on old wells. The Remaining Group also reduced capital expenditure on natural gas assets in Canada, implemented economic production cuts to reduce operational risk and improve financial performance. In consideration of the development strategy and working capital needs of the Remaining Group, the Remaining Group disposed of Canlin and certain non-core assets in 2019. The disposals represented continued execution of our strategy to simplify our portfolio and accelerate deleveraging. During 2019, the oil and gas operated production and net production of the Remaining Group decreased significantly compared with that of 2018. The Remaining Group's oil and gas production decreased by 28.9% to about 14.86 MMBOE compared with 2018. Net oil and gas production decreased by 34.1% to about 12.16 MMBOE compared with 2018. During 2019, crude oil sales decreased by 11.9% compared to 2018 to approximately 2.75 million barrels, while natural gas sales decreased to 54,793 MMscf. The Remaining Group's oil and gas reserves, production capacity and sales decreased due to the disposal of Canlin and its oil and gas assets in September 2019. In 2019, the EBITDA of the Remaining Group from segments other than North America decreased by RMB622.7 million to negative RMB486.6 million from RMB136.1 million in 2018 and the respective adjusted EBITDA decreased by RMB85.7 million to RMB323.4 million.

In 2020, the COVID-19 had a huge adverse impact on the oil market, and the world's oil demand and supply both declined significantly and even the negative oil price of crude oil futures appeared for the first time in history. After the major economies in the world taking measures to boost the economy and many countries starting to vaccinate against the COVID-19, the international oil prices rebound in volatility, which brings a new round of major opportunities for the energy industry. In the face of complex external environment, the Remaining Group strictly implemented pandemic prevention and control measures and steadily push forward to recover work and production. On 4 June 2020, the Remaining Group successfully executed the supplemental agreement for the PSC, extending the production period from 31 December 2024 to 29 February 2028, which lays a solid foundation for the sustained high-level development of Daan Oilfield. At the same time, pursuant to the requirements of drilling new wells in the next three years in the supplemental agreement for the PSC, the Remaining Group will increase capital expenditure and drill new wells in a timely manner, to improve the oil production capacity of Daan Oilfield. The oil and gas operated production and net production of the Remaining Group from the PRC segment in 2020 remained consistent with 2019. The Remaining Group's oil and gas production decreased by 0.2% to about 4.63 MMBOE compared with 2019. Net oil and gas production increased by 12.4% to about 2.18 MMBOE compared with 2019. During 2020, net oil sales volume increased by 10.7% compared to 2019 to approximately 2.13 million barrels, while net natural gas sales volume decreased to 1.88 MMscf. In 2020, the average realized crude oil price of the Remaining Group from the PRC segment decreased by 31.0% to US$38.60 per barrel as compared with that of 2019, and the average realized natural gas price increased to US$6.2 per Mscf. In 2020, the revenue from the PRC segment decreased by 24.3% to RMB572.5 million as compared with 2019. In 2020, loss for the year of the Remaining Group is RMB1,351.3 million and the respective loss per share is RMB0.41. In 2020, EBITDA from the PRC segment decreased by RMB638.4 million to negative RMB142.1 million from RMB496.3 million in 2019 and the respective adjusted EBITDA decreased by RMB137.6 million to RMB362.5 million.

In 2021, the COVID-19 pandemic continued 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 an 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, the world's third largest oil producer. The sanctions may lead to an unprecedented tight oil supply in 2022, which may further drive up crude prices. The Remaining Group has been adapting to the changing business environment, and implementing pandemic prevention and control measures throughout our operations. Pursuant to the PSC supplemental agreement entered into on June 4, 2020, the Remaining Group is required to drill 268 new wells within 3 years after June 2020. The Remaining 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 Remaining 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 Remaining 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 Remaining 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.

Liquidity and financial resources

The Remaining Group's primary sources of cash were cash generated from operating activities.

In 2019, the Remaining Group had net cash generated from operating activities of RMB73.6 million, net cash used in investing activities of RMB119.7 million, net cash generated from financing activities of RMB31.5 million, an exchange gain on cash and cash equivalent of RMB0.2 million, transferred to disposal group classified as held for sale of RMB15 thousand and a net decrease in cash and cash equivalent of RMB14.6 million.

In 2020, the Remaining Group had net cash of RMB186.9 million generated from operating activities, net cash of RMB159.7 million used in investing activities, net cash of RMB20.4 million used in financing activities, an exchange loss on cash and cash equivalent of RMB0.2 million, and a net increase in cash and cash equivalents of RMB6.6 million.

In face of the double blow of a collapse in global oil prices and the COVID-19 induced weak economy, the oil price for the Remaining Group's Daan project in China also fell sharply. In April 2020, it dipped to US$12.33 per barrel, a historical low in a decade and remained significantly lower than international oil prices throughout 2020.

The liquidity issue faced by the Company aggravated with the decreased revenue and increased finance cost, making the Remaining Group unable to make the scheduled interest payment in relation to the Senior Notes when the related interest grace period expired on 11 May 2020. The non-payment resulted in an event of default under the Senior Notes ("**Default**"), which also triggered cross-defaults under other bilateral loans entered into between the Remaining Group's member companies and other lenders. The Company had assessed that the potential demands for repayment of loans by the relevant lenders, and the aggregate unfulfilled repayment obligations and possible breaches of the other loan facilities and notes, amount to approximately over US$316.5 million in principal plus accrued interest on such principal amount.

After the Default, the Company continued to focus on operating the business in a safe and efficient manner under extremely low oil prices. In spite of all difficulties and after lengthy negotiation, the company successfully extended the commercial production period of the Daan PSC with CNPC on 4 June 2020, which provided a solid basis and rational for debt restructuring.

In 2021, the Remaining 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 and gearing ratio

As at 31 December 2019, for the Remaining Group's continuing operations, the borrowings from financial institutions and third parties amounted to approximately RMB3,999.3 million, representing a decrease of approximately RMB336.7 million as compared to 31 December 2018. Among the Remaining Group's borrowings, borrowings repayable within one year amounted to approximately RMB2,278.8 million, representing a decrease of RMB271.1 million as compared to 31 December 2018. 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 164.7% as at 31 December 2018 to 321.0% as at 31 December 2019, primarily due to the loss incurred in 2019.

As at 31 December 2020, for the Remaining Group's continuing operations, the borrowings from financial institutions and third parties amounted to approximately RMB3,686.1 million, representing a decrease of approximately RMB313.2 million as compared to December 31, 2019. All of the borrowings are repayable within one year amounted to approximately RMB3,686.1 million, representing an increase of RMB1,407.3 million as compared to December 31, 2019. Our gearing ratio decreased from 321.0% as at 31 December 2019 to negative 3,445.2% as at 31 December 2020, primarily due to the losses incurred in 2020.

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. Our gearing ratio changed from negative 3,445.2% as at 31 December 2020 to negative 865.0% as at 31 December 2021, primarily due to the losses incurred in 2021.

All of the Remaining Group's 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.

Foreign currencies and exchange rate exposure and hedging activities

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

Charges

As at 31 December 2019, bank accounts, shares of subsidiaries and oil and gas assets of the Remaining Group were pledged to secure borrowings in the aggregate amount of RMB2,278.8 million.

As at 31 December 2020, a deposit, the Remaining Group's interest and account receivable under the Daan PSC, all issued share capital in an associate and certain subsidiaries of the Remaining Group, other receivables from the associate and a third party, and other assets security and share charge were pledged to secure borrowings in the aggregate amount of RMB2,065.4 million.

As at 31 December 2021, the Remaining 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 secured borrowings in the aggregate amount of RMB2,013.8 million.

Significant investments held and material acquisitions and disposals

The principal activity of the Company is investment holding. The principal business of the Company, its subsidiaries and jointly controlled entities is to engage in the exploration, development, production and sale of crude oil and other petroleum products under production sharing contracts and other similar arrangements. As at 31 December 2019, the Remaining Group had participating interests in one producing production oil sharing contract in South China Sea. As at 31 December 2019, 2020 and 2021, the Remaining Group had the following oil and gas properties: (1) two producing production oil sharing contracts in northeast China; and (2) participating interests in an exploration contract and six production contracts in Kazakhstan held by Emir-Oil.

The Remaining Group completed the disposal of interest in Canlin Energy Corporation, which constituted the Company's oil and gas assets in Canada, in September 2019, substantially reducing the Remaining Group's debt.

China Operations (Daan, Moliqing)

During 2019, the total gross operated production for Daan and Moliqing increased by 7.7% from 4.31 million barrels in 2018 to 4.64 million barrels in 2019. Total net production allocated to the Remaining Group increased by 4.9% from 1.85 million barrels in 2018 to 1.94 million barrels in 2019. During 2019, the gross operated production per day increased by 3.9% to 12,720 barrels/day ("**BOPD**") as compared to 2018, and net production per day allocated to the Remaining Group increased by 1.7% to 5,319 BOPD. The average realized oil price of Daan and Moliqing decreased by 13.4% from US$64.56/barrel in 2018 to US$55.92/barrel in 2019. Under falling oil prices, a reduced drilling program of 14 vertical wells was carried out in Daan in 2019. The Remaining Group continued to control cost and reduce lifting cost for Daan by US$1.65/ barrel, or 13.3%, from US$12.37/barrel for 2018 to US$10.72/ barrel for 2019. EBITDA per barrel for Daan and Moliqing decreased by US$8.30, or 18.1%, from US$45.95/barrel for 2018 to US$37.65/barrel for 2019. The decrease in EBITDA per barrel was primarily due to the decrease in average realized oil price.

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, conditionally marking the successful extension of the Daan PSC term from December 31, 2024 to February 29, 2028.

During 2020, the total gross operated production for Daan and Moliqing decreased by 0.2% from 4.64 million barrels in 2019 to 4.63 million barrels in 2020. Total net production attributable to the Remaining Group increased by 12.4% from 1.94 million barrels in 2019 to 2.18 million barrels in 2020. During 2020, the gross operated production per day decreased by 0.5% to 12,662 BOPD as compared to 2019, and net production per day attributable to the Remaining Group increased by 11.8% to 5,944 BOPD. In 2020, a drilling program of 29 directional wells was carried out in Daan. The total drilling footage was 58,747 meters and the average drilling footage for a single well was about 2,026 meters. With the outbreak of COVID-19, the international crude oil price has fallen sharply, the average realized oil price of Daan and Moliqing decreased by 31.0% from US$55.92/barrel in 2019 to US$38.60/barrel in 2020. With our leading operations and management capabilities in China's oilfield projects, the Remaining Group decreased lifting cost by US$0.84/barrel, or 7.8%, from US$10.72/barrel for 2019 to US$9.88/barrel for 2020. Adjusted EBITDA per barrel for Daan and Moliqing decreased by US$12.96, or 34.4%, from US$37.65/barrel for 2019 to US$24.69/barrel for 2020. The decrease in adjusted EBITDA per barrel was primarily due to the decrease in average realized oil price.

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 Remaining 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 BOPD as compared to 2020, and net oil production per day attributable to the Remaining 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 Remaining 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.

Employee and remuneration policies

As at 31 December 2019, the Company had 1,058 employees, with 1,056 based in China (Mainland China and Hong Kong) and two based in the United States.

As at 31 December 2020, the Company had 1,007 employees, all based in China (Mainland China and Hong Kong).

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 Company's annual reports in respect of the remuneration of employees, remuneration policies and staff development. Please refer to the Corporate Governance Report as included in the Company's annual report for the year ended 31 December 2021 via hyperlink as below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042901152.pdf

Contingent liabilities

There were no contingent liabilities of the Remaining Group as at 31 December 2019, 2020 and 2021, respectively.

Future plans and outlook

In 2021, the Company was involved in extensive negotiations with creditors to restructure the Remaining Group's financial indebtedness. 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 Court and the Court directed that a meeting be convened for the purposes of considering and, if thought fit, approving a scheme of arrangement with the Noteholders ("**Scheme**"). On 17 March 2022, the Cayman Scheme Meeting was held and the Scheme was approved by the Cayman Scheme creditors. On 25 March 2022, the Court made an order to sanction the Scheme. As a result of the debt restructuring, the financial position of the Remaining Group will be significantly improved.

Entering 2022, given the favorable environment of rising crude oil prices and successful debt restructuring, the Remaining Group will continue to focus on its core business, diligently improving cost control and productivity and maximising strategic value and returns.

The following is the text of a report set out on pages II-1 to II-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MIE HOLDINGS CORPORATION

INTRODUCTION

We report on the historical financial information of MIE Holdings Corporation (the "Company") and its subsidiaries (together, the "Group") set out on pages II-4 to II-101, which comprises the consolidated and company statements of financial position as at December 31, 2019, 2020 and 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-101 forms an integral part of this report, which has been prepared for inclusion in the circular of the Company dated June 6, 2022 (the "Circular") in connection with the proposed disposal of the 40% equity interest in Palaeontol B.V. and certain related receivables by the Group.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2019, 2020 and 2021 and the consolidated financial position of the Group as at December 31, 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1.1 to the Historical Financial Information, 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 ended December 31, 2021, 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 Historical Financial Information, 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.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 6, 2022

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi (the "RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
		2021	2020	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Property, plant and equipment	*6*	1,573,534	1,079,358	1,678,414
Intangible assets	*8*	54,121	58,582	94,025
Right-of-use assets	*7*	6,215	12,504	11,839
Deferred income tax assets	*24*	—	816	816
Financial assets at fair value through other comprehensive income	*13*	15,498	7,841	43,754
Prepayments, deposits and other receivables	*14*	1,847	361,030	385,363
Restricted cash	*17*	17,831	4,002	—
		1,669,046	1,524,133	2,214,211
Current assets				
Inventories	*16*	19,466	20,666	16,370
Prepayments, deposits and other receivables	*14*	40,439	31,239	71,036
Trade receivables	*15*	85,132	51,717	61,374
Restricted cash	*17*	63,761	43,224	46,213
Cash and cash equivalents	*18*	36,495	20,353	13,711
		245,293	167,199	208,704
Assets of disposal group classified as held for sale	*19*	350,356	—	—
		595,649	167,199	208,704
Total assets		2,264,695	1,691,332	2,422,915
Equity				
Equity attributable to owners of the Company				
Share capital	*21*	1,101,249	1,101,249	1,101,249
Other reserves	*23*	371,053	233,266	(90,048)
Accumulated losses		(5,445,007)	(5,106,646)	(3,755,333)
Total shareholders' deficit		(3,972,705)	(3,772,131)	(2,744,132)

		As at December 31,		
		2021	2020	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Non-current liabilities				
Borrowings	*27*	—	—	1,720,505
Lease liabilities	*7*	1,604	4,990	4,738
Deferred income tax liabilities	*24*	282,399	213,320	173,803
Trade and notes payables	*25*	120,432	32,840	74,169
Provisions, accruals and other liabilities	*26*	110,660	153,723	143,041
		515,095	404,873	2,116,256
Current liabilities				
Trade and notes payables	*25*	374,070	325,561	386,076
Provisions, accruals and other liabilities	*26*	1,724,765	1,037,923	371,061
Lease liabilities	*7*	4,822	8,163	8,707
Current income tax liabilities		19,320	810	6,185
Borrowings	*27*	3,597,474	3,686,133	2,278,762
		5,720,451	5,058,590	3,050,791
Liabilities of disposal group classified as held for sale	*19*	1,854	—	—
		5,722,305	5,058,590	3,050,791
Total liabilities		6,237,400	5,463,463	5,167,047
Total shareholders' deficit and liabilities		2,264,695	1,691,332	2,422,915

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,		
		2021	2020	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Property, plant and equipment		944	656	787
Interests in subsidiaries	*11*	1,415,452	871,647	1,510,240
Right-of-use assets		3,633	8,584	10,995
Prepayments, deposits and other receivables		1,297	—	385,029
Financial assets at fair value through other comprehensive income		—	—	2,263
		1,421,326	880,887	1,909,314
Current assets				
Prepayments, deposits and other receivables		9,051	10,200	20,679
Cash and cash equivalents		7,060	3,694	3,053
		16,111	13,894	23,732
Total assets		1,437,437	894,781	1,933,046
Equity				
Equity attributable to owners of the Company				
Share capital		1,101,249	1,101,249	1,101,249
Other reserves		1,703,106	1,628,721	1,451,724
Accumulated losses		(7,389,850)	(7,340,386)	(5,902,542)
Total equity		(4,585,495)	(4,610,416)	(3,349,569)
Liabilities				
Non-current liabilities				
Borrowings	*27*	—	—	1,720,505
Provisions, accruals and other liabilities	*26*	—	—	56,776
Lease liabilities		351	2,370	4,433
		351	2,370	1,781,714

		As at December 31,		
		2021	2020	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities				
Provisions, accruals and other liabilities	*26*	1,286,048	796,600	322,593
Borrowings	*27*	2,658,908	2,725,602	1,219,854
Amounts due to subsidiaries	*26*	2,074,171	1,973,656	1,949,872
Lease liabilities		3,454	6,969	8,582
		6,022,581	5,502,827	3,500,901
Total liabilities		6,022,932	5,505,197	5,282,615
Total equity and liabilities		1,437,437	894,781	1,933,046

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
		2021	**2020**	**2019**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations				
Revenue from contracts with customers	*5*	1,017,835	572,471	756,094
Depreciation, depletion and amortisation		(263,924)	(250,159)	(348,751)
Taxes other than income taxes	*29*	(17,639)	(6,815)	(7,859)
Employee benefit expenses	*32*	(101,870)	(101,911)	(143,367)
Purchases, services and other direct costs		(262,799)	(204,260)	(307,809)
Net impairment losses on financial assets	*3*	(17,732)	(3,740)	(698,154)
Reversal of/(provision for) impairment losses on assets	*6, 8*	183,713	(506,748)	—
Net impairment losses on the investments in associates	*9*	—	—	(4,826)
Other gains/(losses), net	*28*	9,105	3,051	(80,716)
Interest income	*30*	17,773	35,343	42,518
Finance costs	*31*	(802,887)	(845,954)	(605,803)
Loss before income tax		(238,425)	(1,308,722)	(1,398,673)
Income tax expense	*34*	(99,936)	(42,591)	(62,453)
Loss for the year from continuing operations		(338,361)	(1,351,313)	(1,461,126)
Discontinued operations				
Profit for the year from discontinued operations	*20*	—	—	332,177
Loss for the year		(338,361)	(1,351,313)	(1,128,949)
Other comprehensive income/(losses)				
Continuing operations				
Items that may be reclassified to profit or loss				
Currency translation differences		55,477	179,035	(43,834)

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000	2019 RMB'000
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	*13*	7,925	(32,718)	(3,428)
Currency translation differences		70,398	172,250	(15,269)
Other comprehensive income/(losses) for the year, net of tax		133,800	318,567	(62,531)
Total comprehensive losses for the year		(204,561)	(1,032,746)	(1,191,480)
Loss for the year attributable to:				
Owners of the Company		(338,361)	(1,351,313)	(1,125,037)
Non-controlling interests		—	—	(3,912)
		(338,361)	(1,351,313)	(1,128,949)
(Loss)/profit for the year attributable to owners of the Company arising from:				
Continuing operations		(338,361)	(1,351,313)	(1,457,214)
Discontinued operations		—	—	332,177
		(338,361)	(1,351,313)	(1,125,037)
Total comprehensive losses for the year attributable to:				
Owners of the Company		(204,561)	(1,032,746)	(1,187,568)
Non-controlling interests		—	—	(3,912)
		(204,561)	(1,032,746)	(1,191,480)
Total comprehensive (losses)/income for the year attributable to owners of the Company arising from:				
Continuing operations		(204,561)	(1,032,746)	(1,519,745)
Discontinued operations		—	—	332,177
		(204,561)	(1,032,746)	(1,187,568)

		Year ended December 31,		
		2021	**2020**	**2019**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/earnings per share for (loss)/profit attributable to ordinary equity holders of the Company for the year (expressed in RMB per share)				
Basic (loss)/earnings per share	*36*			
Continuing operations		(0.10)	(0.41)	(0.46)
Discontinued operations		—	—	0.11
		(0.10)	(0.41)	(0.35)
Diluted (loss)/earnings per share	*36*			
Continuing operations		(0.10)	(0.41)	(0.46)
Discontinued operations		—	—	0.11
		(0.10)	(0.41)	(0.35)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Ordinary shares	**Share premium**	**Other reserves** *(Note 23)*	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2021	21,752	1,079,497	233,266	(5,106,646)	(3,772,131)	—	(3,772,131)
Comprehensive losses for the year							
Loss for the year	—	—	—	(338,361)	(338,361)	—	(338,361)
Change in the fair value of equity instruments at the fair value through other comprehensive income *(Note 13)*	—	—	7,925	—	7,925	—	7,925
Currency translation differences	—	—	125,875	—	125,875	—	125,875
	—	—	133,800	(338,361)	(204,561)	—	(204,561)
Transactions with owners in their capacity as owners							
Employees stock option schemes — value of employee services *(Note 32)*	—	—	3,987	—	3,987	—	3,987
	—	—	3,987	—	3,987	—	3,987
As at December 31, 2021	21,752	1,079,497	371,053	(5,445,007)	(3,972,705)	—	(3,972,705)
As at January 1, 2020	21,752	1,079,497	(90,048)	(3,755,333)	(2,744,132)	—	(2,744,132)
Comprehensive losses for the year							
Loss for the year	—	—	—	(1,351,313)	(1,351,313)	—	(1,351,313)
Change in the fair value of equity instruments at the fair value through other comprehensive income *(Note 13)*	—	—	(32,718)	—	(32,718)	—	(32,718)
Currency translation differences	—	—	351,285	—	351,285	—	351,285
	—	—	318,567	(1,351,313)	(1,032,746)	—	(1,032,746)
Transactions with owners in their capacity as owners							
Employees stock option schemes — value of employee services *(Note 32)*	—	—	4,747	—	4,747	—	4,747
	—	—	4,747	—	4,747	—	4,747
As at December 31, 2020	21,752	1,079,497	233,266	(5,106,646)	(3,772,131)	—	(3,772,131)

	Attributable to owners of the Company						
	Ordinary shares	**Share premium**	**Other reserves** *(Note 23)*	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019	19,489	1,049,307	(143,782)	(2,630,296)	(1,705,282)	13,265	(1,692,017)
Comprehensive losses for the year							
Loss for the year	—	—	—	(1,125,037)	(1,125,037)	(3,912)	(1,128,949)
Change in the fair value of equity instruments at the fair value through other comprehensive income *(Note 13)*	—	—	(3,428)	—	(3,428)	—	(3,428)
Currency translation differences	—	—	(59,103)	—	(59,103)	—	(59,103)
	—	—	(62,531)	(1,125,037)	(1,187,568)	(3,912)	(1,191,480)
Transactions with owners in their capacity as owners							
Employees stock option schemes — value of employee services *(Note 32)*	—	—	10,841	—	10,841	—	10,841
Issue new shares *(Note 21)*	2,263	30,190	—	—	32,453	—	32,453
Disposal of subsidiaries	—	—	105,424	—	105,424	(9,353)	96,071
	2,263	30,190	116,265	—	148,718	(9,353)	139,365
As at December 31, 2019	21,752	1,079,497	(90,048)	(3,755,333)	(2,744,132)	—	(2,744,132)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
		2021	2020	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Continuing operations				
Cash generated from operations		572,524	240,156	479,913
Interest paid		(71,061)	(44,855)	(418,196)
Income taxes paid		(11,531)	(8,449)	—
Discontinued operations		—	—	11,911
Net cash inflow from operating activities	*37*	489,932	186,852	73,628
Cash flows from investing activities				
Continuing operations				
Payments for property, plant and equipment		(450,915)	(165,852)	(37,012)
Proceeds from disposal of subsidiaries		—	20,663	16,355
Payment for the acquisition of foreign contractor's participating interests in the PRC in the prior years		(12,865)	(14,553)	(34,643)
Receipt of shareholder loans from associate		—	—	27,578
Contribution and loans to investments accounted for using equity method		—	—	(4,883)
Others		—	91	4,936
Discontinued operations		—	—	(92,059)
Net cash outflow from investing activities		(463,780)	(159,651)	(119,728)
Cash flows from financing activities				
Continuing operations				
Repayments of borrowings		—	(10,446)	(194,183)
Proceeds from borrowings		—	—	654,891
Repayments of 2019 Senior Notes		—	—	(516,424)
Proceeds from issuing of new shares		—	—	32,453
Payments for loan arrangement and other fees		—	—	(19,284)
Payment of lease liability		(8,735)	(9,938)	(6,145)
Discontinued operations		—	—	80,163
Net cash (outflow)/inflow from financing activities		(8,735)	(20,384)	31,471

		Year ended December 31,		
		2021	2020	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Net increase/(decrease) in cash and cash equivalents		17,417	6,817	(14,629)
— Net increase/(decrease) included in cash and cash equivalents per the consolidated statement of financial position		17,417	6,817	(14,644)
— Net increase included in the assets of disposal group classified as held for sale		—	—	15
Cash and cash equivalents at beginning of the financial year		20,353	13,711	28,115
Effects of exchange rate on cash and cash equivalents		(1,275)	(175)	240
Transferred to disposal group classified as held for sale		—	—	(15)
Cash and cash equivalents at end of the year	*18*	36,495	20,353	13,711

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

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 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 ("Kazakhstan").

On January 20, 2022, the Group entered into an agreement with Hammer Capital Asia Limited, an independent party, and also one of the lenders to the Company, for the sale (the "Disposal") of the Group's 40% equity interest in Palaeontol B.V. ("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 receivables related to this associate. Further information about the Disposal is set out in Note 19 and Note 41.

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 holding company of the Group. FEEL is a limited liability company incorporated in Hong Kong and its ultimate beneficial owners are Mr. Zhang Ruilin, Mr. Zhao Jiangwei and Ms. Zhao Jiangbo ("Mrs. Zhang", Mr. Zhang Ruilin's spouse). The controlling shareholder of the ultimate holding company is Mr. Zhang Ruilin.

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

Unless otherwise stated, the Historical Financial Information is presented in Chinese Renminbi ("RMB").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information of the Group are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information of the Group has 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 the Historical Financial Information of the Group in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information of the Group are disclosed in Note 4.

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 ended December 31, 2021, 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 Singapore Exchange Securities Trading Limited 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 ended December 31, 2021, 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 27 to the Historical Financial Information.

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 relevant legal procedures have been completed by April 21, 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 China National Petroleum Corporation (''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 abovementioned 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 Historical Financial Information 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 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 as at December 31, 2021 and for the year then ended.

2.1.2 New and amended standards adopted by the Group

(a) The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation — Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015–2017 cycle
- Plan Amendment, Curtailment or Settlement — Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on January 1, 2019.

(b) The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material — amendments to IAS 1 and IAS 8
- Definition of a Business — amendments to IFRS 3
- Interest Rate Benchmark Reform — amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Annual Improvements to IFRS Standards 2018–2020 Cycle.

(c) 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.

Title	Effective Date
• Covid-19-related Rent Concessions — Amendments to IFRS 16	April 1, 2021
• IFRS 17 Insurance Contracts	January 1, 2023
• Property, Plant and Equipment: Proceeds before intended use — Amendments to IAS 16	January 1, 2022
• Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37	January 1, 2022
• Classification of Liabilities as Current or Non-current — Amendments to IAS 1	January 1, 2023
• Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
• Definition of Accounting Estimates — Amendments to IAS 8	January 1, 2023
• Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12	January 1, 2023

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.

2.2 Consolidation and subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration is classified as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposals of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of investments accounted for using equity method" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income.

2.4 Joint arrangements

The Group applies IFRS 11 Joint Arrangements ("IFRS 11") to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint operations.

2.4.1 Joint operations

The Group's development and production activities in the PRC are conducted, through its subsidiaries, jointly with others through PSCs. These PSCs establish joint control over the development and production activities. The assets are not owned by a separate legal entity but are controlled by individual participants in the PSCs. Each participant is entitled to a predetermined share of the related output and bears an agreed share of the costs.

The Historical Financial Information reflects:

- the Group's share of any assets used in the joint operations;
- any liabilities that the Group incurred;
- the Group's share of any liabilities incurred jointly with the other PSC partners in relation to the joint production;
- any income from the sale or use of the Group's share of the output of the production, together with its share of any expenses incurred in the production; and
- any expense that the Group has incurred in respect of its interests in the production.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States dollar ("US$"). The presentation currency of the Historical Financial Information is RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposals of foreign operation and partial disposal

On the disposals of a foreign operation (that is, a disposals of the Group's entire interest in a foreign operation, a disposals involving loss of control over a subsidiary that includes a foreign operation, a disposals involving loss of joint control over a joint venture that includes a foreign operation, or a disposals involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposals that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 Property, plant and equipment

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

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

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

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

Buildings	40 years
Office equipment	3 years
Motor vehicles and production equipment	10 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in profit or loss.

2.7 Exploration and evaluation expenditure

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

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

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

2.8 Intangible assets

Intangible assets represent computer software and mineral interests.

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

(b) Mineral interests

Mineral interests are amortised based on the unit of production method.

Unit of production rates are based on oil and gas proved and probable developed producing reserves estimated to be recoverable from existing facilities based on the current terms of the respective production agreements.

2.9 Impairment of non-financial assets

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

2.10 Investments and other financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (''either through OCI or through profit or loss''), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (the ''FVOCI'').

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (the ''FVTPL''), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

  When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses), net, in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.10.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial instruments that have no significant increase in credit risk since the initial recognition ("Stage 1"), the Group measures the loss allowance at an amount equal to 12-month expected credit losses. If there has been a significant increase in credit risk since the initial recognition of a financial instrument but credit impairment has not occurred ("Stage 2"), the Group recognises a loss allowance at an amount equal to lifetime expected credit losses. If credit impairment has occurred since the initial recognition of a financial instrument ("Stage 3"), the Group recognises a loss allowance at an amount equal to lifetime expected credit losses. For financial instruments that have low credit risk at the balance sheet date, the Group assumes that there is no significant increase in credit risk since the initial recognition, and measures the loss allowance at an amount equal to 12-month expected credit losses.

For financial instruments on the Stage 1 and Stage 2, and that have low credit risk, the Group calculates interest income according to carrying amount without deducting the impairment allowance and effective interest rate. For financial instruments on the Stage 3, interest income is calculated according to the carrying amount minus amortised cost after the provision of impairment allowance and effective interest rate.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b)(ii) for further details.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.12 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group has not designated any derivative financial instruments as hedging instruments. Changes in the fair value of these derivative instruments are recognised immediately in profit or loss with “other gains/(losses), net”.

2.13 Inventories

Inventories are crude oil, consumables and spare parts which are stated at the lower of cost and net realisable value. Materials and supplies costs are determined using the first-in first-out method. Crude oil costs are determined using the weighted average cost method. The cost of crude oil comprises direct labour, depreciation, other direct costs and related production overhead, but excludes borrowing costs.

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within one year and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 15 for further information about the Group’s accounting for trade receivables and Note 3.1 for a description of the Group’s impairment policies.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks or other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, and deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of each reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Provisions

Provisions are recognised, when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Asset retirement obligations (including future decommissioning and restoration) which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil and gas properties. Interest expense from the asset retirement obligations for each period are recognised with the effective interest method during the useful life of the related oil and gas properties.

2.22 Employee benefits

(a) Defined contribution plan

The Group has various defined contribution plans for state pensions, housing fund and other social obligations in accordance with the local conditions in the PRC and practices in the municipalities and province in which they operate. A defined contribution plan is a pension and/or other social benefits plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to their present value.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.23 Shared-based payments

(a) Equity-settled share-based payment transactions

(i) Employee stock option

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(ii) Share award scheme

The fair value of shares granted to employees for nil consideration under stock incentive compensation plan is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

(b) Cash-settled share-based compensation

Compensation under the stock appreciation rights is measured based on the fair value of the liability incurred and is expensed over the vesting period. The liability is remeasured at each reporting period to its fair value until settlement with all the changes in liability related to the vested portion recorded as employee benefit expenses in profit or loss, the related liability is included in the salaries and welfare payable.

(c) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the specific criteria have been met for each of the Group's activities, as described below.

Accounting policy on the recognition of sales income:

Revenue is recognised upon the satisfaction of performance obligations, which occurs when control of the good or service transfers to the customer.

Control can transfer at a point in time or over time. A performance obligation is satisfied over time if one of the following criteria is met:

— The customer simultaneously receives and consumes the benefits of the entity's performance as the entity performs (e.g., certain services).

— The entity's performance creates or enhances an asset that the customer controls.

— The entity's performance does not create an asset with alternative use to the entity and the entity has an enforceable right to payment (cost plus a reasonable profit margin) for performance completed to date.

A performance obligation is satisfied at a point in time if it does not meet one of the criteria above.

All revenues of the Group are recognised at a point in time.

2.25 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of "other gains/(losses), net".

Interest income is presented as interest income where it is earned from financial assets that are held for cash management purposes (see Note 30 below). Any other interest income is included in "other gains/(losses), net".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.26 Dividend income

Dividends are received from financial assets measured at FVTPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.27 Repairs and maintenance

Repairs and maintenance are recognised as expenses in the year in which they are incurred.

2.28 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The Group leases various offices and cars. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.29 Disposal group classified as held for sale

The Group's non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

2.30 Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.31 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company (Note 5).

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, oil price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance department of the Company's headquarter (the "Group Finance Team") on a regular basis under the policies approved by the Board of Directors. The Group Finance Team identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong Dollar ("HK$"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the entity's functional currency.

The Company was exposed to non-cash foreign exchange risk arising from retranslation of HK$ denominated borrowings from third party while the functional currency of the Company is US$.

At December 31, 2019, 2020 and 2021, if US$ had weakened/strengthened by 1% against the HK$ with all other variables held constant, the Group's pre-tax loss for the years ended December 31, 2019, 2020 and 2021 would have been RMB8.2 million, RMB10.2 million and RMB12.4 million lower/higher respectively mainly as a result of foreign exchange losses/gains on translation of HK$ denominated borrowings.

(ii) Fair value interest rate risk

The Group's interest rate risk arises from borrowings from financial institutions and senior notes. Borrowings and senior notes issued at fixed rates expose the Group to fair value interest rate risk. During 2019, the borrowings carrying fixed rates, were denominated in US$ and HK$, while the borrowings carrying floated rates, were denominated in Canadian dollar (''C$''). During 2020 and 2021, the borrowings and senior notes carrying fixed rates were denominated in US$ and HK$.

The Group has no material interest bearing cash assets. The Group's income and operating cash flows are substantially independent of the changes in market rates. The Group's interest rates risk arises from borrowings. A detailed analysis of the Group's borrowings, together with their respective effective interest rates and maturity dates, are included in Note 27.

(iii) Oil price risk

The Group is engaged in crude oil development, production and selling activities. Prices of crude oil are affected by both domestic and global factors which are beyond the control of the Group. The fluctuations in such prices may have favourable or unfavourable impacts to the Group. Therefore the Group was exposed to general price fluctuations of crude oil.

(b) Credit risk

(i) Risk management

As the majority of the cash at bank balance is placed with major PRC state-owned banks and financial institutions, the Directors are of their opinion that the corresponding credit risk is relatively low. Therefore, credit risk arises primarily from trade and other receivables. The Group has controls in place to assess the credit quality of its customers. The carrying amounts of cash and cash equivalents, restricted cash and trade and other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk. As at December 31, 2019, 2020 and 2021, the Group has no significant concentration of credit risk for its cash and cash equivalents, restricted cash and trade and other receivables.

During the years ended December 31, 2019, 2020 and 2021, the Group has one customer in the PRC which accounts for 98.1%, 99.6% and 99.7% of the Group's revenue, respectively. As such, there was concentration of credit risk for its trade receivables. However, the Group regards it as low risk as the customer in the PRC is PetroChina Company Limited (the ''PetroChina''), a PRC state-owned enterprise with high credit rating in the PRC who have credit ratings which are deemed acceptable.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables
- other financial assets at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses (the ''ECLs'') which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2019, 2020 and 2021 or January 1, 2019, 2020 and 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance was determined as follows for trade receivables:

	Aging 0–30 days	**Aging 31–180 days**	**Aging Over 180 days**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2021				
Expected loss rate	0.003%	—	12.735%	
Gross carrying amount — trade receivables	83,767	—	1,365	85,132
Loss allowance	—	—	—	—
As at December 31, 2020				
Expected loss rate	0.003%	—	12.735%	
Gross carrying amount — trade receivables	50,987	—	730	51,717
Loss allowance	—	—	—	—
As at December 31, 2019				
Expected loss rate	0.003%	—	12.735%	
Gross carrying amount — trade receivables	61,238	—	136	61,374
Loss allowance	—	—	—	—

Movement of loss allowance of trade receivables is as follows:

	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Loss allowance			
As at January 1	—	—	585
Increase in the loss allowance recognised in profit or loss during the year	—	—	1,160
Reversal of the loss allowance written off during the prior periods	—	(945)	—
Recovery of receivables written off during the prior periods	—	945	—
Receivables written off during the year as uncollectible	—	—	(1,745)
As at December 31	—	—	—

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses on financial assets in the consolidated statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include amounts due from related parties and other receivables.

The ECLs of other financial assets at amortised cost are determined based on general model.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations;
- actual or expected significant changes in the operating results of counterparties; and
- significant changes in the expected performance and behaviour of the counterparties

The Group uses three categories (Stage 1, Stage 2 and Stage 3) for other financial assets at amortised cost which reflect their credit risk and how the loss provision is determined for each of those categories (Note 2.10.4).

The ECLs of the loans to the related parties are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. For other financial assets, the Group measures the ECLs with reference to certain external credit ratings of the counterparties or comparable companies and market data of loss to the recovery rates.

Movement of loss allowance for other financial assets at amortised cost is as follows:

	Amounts due from related parties *RMB'000* *Stage 3*	Other receivables *RMB'000* *Stage 3*	Total *RMB'000* *Stage 3*
Loss allowance			
As at January 1, 2021	531,362	252,821	784,183
Increase in the loss allowance recognised in profit or loss during the year	17,732	—	17,732
Exchange differences	(12,349)	(5,780)	(18,129)
Transferred to disposal group classified as held for sale	(536,745)	—	(536,745)
As at December 31, 2021	—	247,041	247,041
As at January 1, 2020	533,993	478,322	1,012,315
Increase in the loss allowance recognised in profit or loss during the year	33,718	—	33,718
Recovery of other receivables written off during the prior periods received in current year	5,699	2,651	8,350
Receivables written off during the year as uncollectible	—	(177,439)	(177,439)
Unused amount reversed	(5,699)	(23,334)	(29,033)
Exchange differences	(36,349)	(27,379)	(63,728)
As at December 31, 2020	531,362	252,821	784,183
As at January 1, 2019	29,042	877,316	906,358
Increase in the loss allowance recognised in profit or loss during the year	698,758	14,079	712,837
Receivables written off during the year as uncollectible	(207,439)	(408,298)	(615,737)
Unused amount reversed	—	(15,843)	(15,843)
Exchange differences	13,632	11,068	24,700
As at December 31, 2019	533,993	478,322	1,012,315

There is no transfer of financial assets among the three categories during 2019, 2020 and 2021.

As at 31 December 2019, 2020 and 2021, the gross carrying amount of other financial assets at amortised cost, and thus the maximum exposure to loss, is as follows:

	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Stage 1	38,585	27,347	251,990
Stage 3	247,041	1,144,304	1,210,260
Total gross other financial assets at amortised cost	285,626	1,171,651	1,462,250
Loss allowance	(247,041)	(784,183)	(1,012,315)
Other financial assets at amortised cost net of expected credit losses	38,585	387,468	449,935

Other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on other receivables are presented as net impairment losses on financial assets in the consolidated statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Liquidity risk

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow.

As described in Note 2.1.1, the Directors closely monitors the Group's cash flow projections, which cover a period of not less than twelve months from December 31, 2021, to enable it to meet its liabilities and obligations through:

(i) the Company's ability 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.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the consolidated statement of financial position for borrowings. The amounts below have not taken into consideration about the completion of the Debt Restructuring Plans (Note 2.1.1).

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*
As at December 31, 2021				
Borrowings	3,597,474	—	—	—
Interest payable on borrowings	1,496,380	—	—	—
Trade and notes payables	374,070	138,012	—	—
Provisions, accruals and other liabilities	127,283	—	—	221,785
Lease liabilities	5,387	2,641	—	—
As at December 31, 2020				
Borrowings	3,686,133	—	—	—
Interest payable on borrowings	824,060	—	—	—
Trade and notes payables	325,561	37,737	—	—
Provisions, accruals and other liabilities	136,400	—	—	217,673
Lease liabilities	9,667	4,145	2,067	—
As at December 31, 2019				
Borrowings	1,779,841	570,572	1,732,846	—
Interest payable on borrowings	413,625	254,469	66,612	—
Trade and notes payables	386,076	81,470	—	—
Provisions, accruals and other liabilities	162,191	—	—	217,077
Lease liabilities	10,180	4,339	693	—

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of Debt over EBITDA. Debt is calculated as total borrowings including "current and non-current borrowings" as shown in the consolidated statement of financial position. EBITDA is determined as loss before income tax, before interest income, finance cost and depreciation, depletion and amortisation.

The Debt over EBITDA ratios were as follows:

	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Total borrowings *(Note 27)*	3,597,474	3,686,133	3,999,267
Loss before income tax	(238,425)	(1,308,722)	(1,398,673)
Interest income *(Note 30)*	(17,773)	(35,343)	(42,518)
Finance cost *(Note 31)*	802,887	845,954	605,803
Depreciation, depletion and amortisation	263,924	250,159	348,751
EBITDA	810,613	(247,952)	(486,637)
Debt over EBITDA ratio	4.4	(14.9)	(8.2)

The Debt over EBITDA ratio has changed from negative 8.2 to negative 14.9 from 2019 to 2020, was mainly due to the increase of finance costs. The Debt over EBITDA ratio changed from negative 14.9 to positive 4.4 from 2020 to 2021, was primarily due to the decrease of loss before income tax.

3.3 Fair value estimation

Financial assets and liabilities

(i) Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2019, 2020 and 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Financial assets				
As at December 31, 2021				
Financial assets at FVOCI				
— Equity investments *(Note 13)*	—	—	15,498	15,498
As at December 31, 2020				
Financial assets at FVOCI				
— Equity investments *(Note 13)*	—	—	7,841	7,841
As at December 31, 2019				
Financial assets at FVOCI				
— Equity investments *(Note 13)*	—	—	41,491	41,491
— Debt investments	—	—	2,263	2,263
	—	—	43,754	43,754

There were no transfers between level 1, level 2 and level 3 during 2019, 2020 and 2021.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(c) Financial instruments in level 3

With respect to the level 3 fair value measurement for the Group's financial assets at fair value that are unlisted equity investments and debt investments with no active market exists, the Group Finance Team benchmark to the market price of certain comparable listed companies within the same or similar operation/industry and apply certain adjustments/discount for non-marketability. At December 31, 2019, 2020 and 2021, the Directors are of their opinion that there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- Binomial model is used to determine the fair value of the share based payment and market approach is used to determine the fair value of the equity investment in common shares of unlisted company accounted at FVOCI.

Valuation process

The valuations as of December 31, 2019, 2020 and 2021, respectively, performed by external independent professional valuer was adopted by the Group for financial reporting purposes, including the equity investment at FVOCI accounted for as level 3 fair values. The external experts report directly to the CFO.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Enterprise value/proved and probable reserve multiples ("EV/2P Reserve") used in the valuation of the common shares of unlisted company are estimated by making reference to comparable trading multiples.
- Discounts for lack of marketability ("DLOM") are estimated based on European Put Option model.

Changes in level 3 fair values are analysed at the end of each reporting period during the valuation discussion between the CFO and the external experts. As part of this discussion the external experts presents a report that explains the reason for the fair value movements.

	Fair value at			Significant	Range of inputs			Relationship of
Description	December 31, 2021	December 31, 2020	December 31, 2019	un-observable inputs*	December 31, 2021	December 31, 2020	December 31, 2019	significant un-observable inputs to fair value
	RMB'000	*RMB'000*	*RMB'000*					
Equity investment in common shares of the unlisted company	15,498	7,841	41,491	EV/2P Reserve multiples	6.14	2.69	6.68	December 31, 2021: Increased EV/2P Reserve multiples (1), would increase the fair value by RMB2.9 million. Increased DLOM (5%), would decrease the fair value by RMB1.1 million.
				DLOM	30%	30%	18%	December 31, 2020: Increased EV/2P Reserve multiples (1), would increase the fair value by RMB4.2 million. Increased DLOM (5%), would decrease the fair value by RMB0.6 million.
								December 31, 2019: Increased EV/2P reserve multiples (1), would increase the fair value by RMB7.6 million. Increased DLOM (5%), would decrease the fair value by RMB2.8 million.

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

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

4.1 Critical accounting estimates

(a) Oil and gas reserves

Estimates of oil and gas reserves are important in the Group's investment decision-making process. They are key elements in determining the depreciation, depletion and amortisation and testing for impairment of oil and gas properties and mineral interests. Proved and probable developed producing reserves estimates are subject to revision, either upward or downward, based on new information from development drilling and production activities or from changes in economic factors, including oil prices, production volume, contract terms, development plans, etc.

The Group's oil and gas properties and mineral interests are depreciated on a unit-of-production basis using the estimated reserves (Note (b) below). A reduction in the estimated reserves will increase depreciation, depletion and amortisation charges of oil and gas properties and mineral interests.

Oil and gas reserves are also used in assessing oil and gas properties and mineral interests for impairment (Note (c) below). Proved and probable developed producing reserves are used to estimate future production volumes in the cash flow model for the purpose of assessing the recoverable amounts. A significant reduction in the estimated reserves would be considered as a possible impairment indicator, which may further require an impairment assessment.

(b) Depreciation, depletion and amortisation of property, plant and equipment and intangible assets

In addition to the depreciation, depletion and amortisation of oil and gas properties and mineral interests using the unit of production method based on the estimated reserves as disclosed in Note 2.6 and 2.8, management of the Group determines the estimated useful lives and related depreciation, depletion and amortisation charges for other property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, and the period throughout which the Group intends to derive future economic benefits from the use of intangible assets. Management will adjust the estimated useful lives where useful lives vary from previously estimated useful lives.

(c) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment, including oil and gas properties, and intangible assets are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of a cash generating unit ("CGU") is determined based on the higher of value-in-use ("VIU") and fair value less cost of disposal ("FVLCOD"), calculations of both require the use of significant assumptions. Determination as to whether and how much an asset is impaired involve management estimates and judgements such as forecast crude oil prices, forecast production volumes, forecast operating costs and capital expenditures and discount rates. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions of forecast crude oil prices, forecast production volumes, forecast operating costs and capital expenditures and discount rates.

(d) Asset retirement obligations

Provision is recognised for the future decommissioning and restoration of oil and gas properties. The amounts of the provision recognised are the present values of the estimated future expenditures. The ultimate cost of environmental disturbances, asset retirement and similar obligation are uncertain. Management uses its judgement and experience to provide for these costs over the life of operations. Cost estimates vary in response to many factors including changes to the relevant legal requirements, the Group's related policies, the emergence of new restoration techniques and the effects of inflation.

Cost estimates are updated throughout the life of the operation. The expected timing of expenditure included in cost estimates can also change, for example in response to changes in reserves, or production volumes or economic conditions. Expenditure may occur before and after closure and can continue for an extended period of time depending on the specific site requirements. Cash flows must be discounted if this has a material effect. The selection of appropriate sources on which to base calculation of the risk free discount rate used for this purpose also requires judgement. As a result of all of the above factors there could be significant adjustments to the provision for close down, restoration and clean-up costs which would affect future financial results.

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

(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4.2 Critical accounting judgements

(a) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimates, management has prepared the Historical Financial Information on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in Note 2.1.1 to the Historical Financial Information.

5. SEGMENT INFORMATION

(a) Description of segment

The chief operating decision-maker (the ''CODM'') has been identified as the executive 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. The discontinued operations in the North America was a separate segment for the year 2019 (Note (c)).

(b) Revenue from contracts with customers

	Year ended December 31,		
	2021	**2020**	**2019**
	RMB'000	*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	741,459
— Provision of services and others	3,152	2,161	14,635
	1,017,835	572,471	756,094

All of the Group's revenue is derived in the PRC during 2019, 2020 and 2021.

For the years ended December 31, 2019, 2020 and 2021, total revenue from crude oil sales in the PRC are derived solely from PetroChina. Crude oil sales revenues from PetroChina accounted for 98.1%, 99.6% and 99.7% of the Group's total revenue in 2019, 2020 and 2021, respectively.

As at December 31, 2019, 2020 and 2021, the non-current assets of the Group are mainly located in the PRC.

(c) **The segment information of year 2019 provided to the CODM for the reportable segments was set out follows:**

	PRC	North America	Corporate and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2019				
Continuing operations				
Segment revenue	756,094	—	—	756,094
Depreciation, depletion and amortisation	(342,081)	—	(6,670)	(348,751)
Taxes other than income taxes *(Note 29)*	(4,021)	—	(3,838)	(7,859)
Employee benefit expenses	(64,321)	—	(79,046)	(143,367)
Purchases, services and other direct costs	(173,917)	—	(133,892)	(307,809)
Net impairment losses on financial assets	(1,160)	—	(696,994)	(698,154)
Impairment charges	—	—	(4,826)	(4,826)
Other losses , net	(16,384)	—	(64,332)	(80,716)
Interest income	27	—	42,491	42,518
Finance costs	(110,330)	—	(495,473)	(605,803)
Profit/(loss) before income tax	43,907	—	(1,442,580)	(1,398,673)
Income tax (expense)/credit	(62,456)	—	3	(62,453)
Loss for the year from continuing operations	(18,549)	—	(1,442,577)	(1,461,126)
Discontinued operations				
Profit for the year from discontinued operations	—	332,177	—	332,177
(Loss)/profit for the year	(18,549)	332,177	(1,442,577)	(1,128,949)

	PRC	Corporate and others	Total
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2019			
Total assets	1,980,084	442,831	2,422,915
Total assets includes:			
Property, plant and equipment	1,677,627	787	1,678,414
Intangible assets	78,980	15,045	94,025
(Reductions from)/additions to non-current assets	(178,621)	14,870	(163,751)
Total liabilities	1,834,547	3,332,500	5,167,047

6. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties *RMB'000*	Buildings *RMB'000*	Vehicles, office and production equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Year ended December 31, 2021					
As at January 1, 2021	1,017,616	4,407	10,103	47,232	1,079,358
Exchange differences	—	—	(19)	—	(19)
Additions	1,998	—	2,010	559,987	563,995
Disposals	—	—	(143)	—	(143)
Reversal of impairment, net *(Note (d))*	176,915	—	—	—	176,915
Transfers	526,507	—	—	(526,507)	—
Depreciation charge *(Note (a))*	(242,046)	(1,038)	(3,488)	—	(246,572)
As at December 31, 2021	1,480,990	3,369	8,463	80,712	1,573,534
As at December 31, 2021					
Cost	7,696,313	10,374	62,976	80,712	7,850,375
Accumulated depreciation and impairment	(6,215,323)	(7,005)	(54,513)	—	(6,276,841)
Net book amount	1,480,990	3,369	8,463	80,712	1,573,534
Year ended December 31, 2020					
As at January 1, 2020	1,636,375	5,445	13,224	23,370	1,678,414
Exchange differences	—	—	(46)	—	(46)
Additions	265	—	1,898	114,820	116,983
Disposals	(385)	—	(1,076)	—	(1,461)
Impairment, net *(Note (d))*	(480,545)	—	—	—	(480,545)
Transfers	90,958	—	—	(90,958)	—
Depreciation charge *(Note (a))*	(229,052)	(1,038)	(3,897)	—	(233,987)
As at December 31, 2020	1,017,616	4,407	10,103	47,232	1,079,358
As at December 31, 2020					
Cost	7,167,808	10,374	61,428	47,232	7,286,842
Accumulated depreciation and impairment	(6,150,192)	(5,967)	(51,325)	—	(6,207,484)
Net book amount	1,017,616	4,407	10,103	47,232	1,079,358

	Oil and gas properties	Buildings	Vehicles, office and production equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2019					
As at January 1, 2019	1,760,648	6,483	16,332	15,376	1,798,839
Exchange differences	—	—	13	—	13
Additions	74,761	—	1,661	120,750	197,172
Disposals	—	—	(81)	—	(81)
Disposals of subsidiaries	—	—	(449)	—	(449)
Transfers	112,756	—	—	(112,756)	—
Depreciation charge *(Note (a))*	(311,790)	(1,038)	(4,252)	—	(317,080)
As at December 31, 2019	1,636,375	5,445	13,224	23,370	1,678,414
As at December 31, 2019					
Cost	7,079,884	10,374	65,529	23,370	7,179,157
Accumulated depreciation and impairment	(5,443,509)	(4,929)	(52,305)	—	(5,500,743)
Net book amount	1,636,375	5,445	13,224	23,370	1,678,414

(a) Depreciation charge

	Year ended December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
— Charged to the statement of comprehensive income, including the costs of goods sold	246,572	233,987	317,080
— Released from/(capitalised in) inventories	1,073	(819)	1,173
	247,645	233,168	318,253

(b) Asset retirement obligations

	Year ended December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Provision for the year included in:			
— Additions of oil and gas properties *(Note 26)*	1,998	264	73,378

(c) Assets deployed under PSC

	As at December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Assets directly used in and operated under the Group's PSCs with CNPC, in the PRC			
— Cost	7,837,205	7,273,851	7,165,598
— Accumulated depreciation and impairment	(6,268,122)	(6,199,684)	(5,493,425)
	1,569,083	1,074,167	1,672,173

(d) Impairment losses

As at December 31, 2019, 2020 and 2021, management has respectively performed an assessment of the CGU. The carrying value of the CGU is compared against the recoverable amount, which is the higher of VIU and FVLCOD. Based on the assessment, recoverable amounts is determined as the VIU.

In performing the impairment assessment, key assumptions and input data adopted by the management include forecast crude oil prices, forecast production volumes, forecast operating costs and capital expenditures and discount rates. Management adopted (1) the forecast crude oil prices based on the approved financial budgets and also bench-marked against a range of price forecasts published by various banks and industry organisations; (2) the forecast production volumes based on management's production plan and forecast production volume for the remaining concession periods as set out in the reserve reports; (3) the forecast operating costs and capital expenditures based on its financial budget and business plan; and (4) the pre-tax discount rate reflected specific risks relating to the relevant business. As at December 31, 2019, 2020 and 2021, the pre-tax discount rate used in the calculations of recoverable amount was 17.75%, 21.12% and 24.00% (the post-tax discount rate was 12.00%, 14.50% and 13.90%), respectively.

Based on the assessment, the Group did not recognise any impairment losses on property, plant and equipment and intangible assets for the year 2019, while net impairment charges of the Group for the year 2020 on property, plant and equipment and intangible assets of RMB480.5 million (Note 6) and RMB26.2 million (Note 8), respectively. For the year 2021, the Group recognised a reversal of impairment losses on property, plant and equipment and intangible assets of RMB176.9 million (Note 6) and RMB6.8 million (Note 8), respectively.

The key assumptions used in determining the recoverable amount are as follows:

	Assessment performed on December 31,		
	2021	**2020**	**2019**
Period of projection	2022–2028	2021–2028	2020–2028
Crude Oil price (US$/bbl)	59.2–70.0	44.0–58.0	61.4–75.9
Production volumes (Mbbl)	20,661	21,449	21,879
Inflation rate (RMB)	2.2%	2.2%	2.2%
Exchange rate (US$/RMB)	6.6800	7.0201	6.9762
Pre-tax discount rate	24.00%	21.12%	17.75%
Post-tax discount rate	13.90%	14.50%	12.00%

For the year ended December 31, 2021

If the crude oil prices had been 5% lower than management's estimates, it would result in a decrease in reversal of impairment losses on property, plant and equipment and intangible assets of RMB101.4 million and RMB3.9 million, respectively.

If the production volumes had been 5% lower than management's estimates, it would result in a decrease in reversal of impairment losses on property, plant and equipment and intangible assets of RMB112.9 million and RMB4.3 million, respectively.

If the pre-tax discount rate had been 1% higher than management's estimates, it would result in a decrease in reversal of impairment losses on property, plant and equipment and intangible assets of RMB28.6 million and RMB1.1 million, respectively.

For the year ended December 31, 2020

If the crude oil prices had been 5% lower than management's estimates, it would result in an increase of impairment charges on property, plant and equipment and intangible assets of RMB176.8 million and RMB10.4 million, respectively.

If the production volumes had been 5% lower than management's estimates, it would result in an increase of impairment charges on property, plant and equipment and intangible assets of RMB176.8 million and RMB10.4 million, respectively.

If the pre-tax discount rate had been 1% higher than management's estimates, it would result in an increase of impairment charges on property, plant and equipment and intangible assets of RMB42.8 million and RMB2.5 million, respectively.

For the year ended December 31, 2019

In the scenarios that (1) the crude oil prices had been 5% lower than management's estimates, (2) the production volumes had been 5% lower than management's estimates, (3) the pre-tax discount rate had been 1% higher than management's estimates, there would be no impact on the impairment charges on property, plant and equipment and intangible assets, since based on the results of assessment, there was a limited amount of headroom of the reversal of impairment charges, and the management did not recognise the reversal.

7. LEASES — WHERE THE GROUP IS A LESSEE

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets ("ROU Assets")			
— Buildings	6,215	12,504	11,839
Lease liabilities			
— Current	4,822	8,163	8,707
— Non-current	1,604	4,990	4,738
	6,426	13,153	13,445

(a) Disclosure of amounts recognised in the financial statements as required under IFRS 16

	Year ended December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Additions to the ROU Assets			
— Buildings	2,070	9,089	15,960
Depreciation charge of ROU Assets			
— Buildings	8,413	10,487	9,678
Interest expense (included in finance costs) *(Note 31)*	1,650	2,302	2,615
Expense relating to short-term leases (included in administrative expenses)	1,407	2,166	8,386
Total cash outflow for leases	10,385	12,240	14,860

8. INTANGIBLE ASSETS

	Goodwill	Mineral interests	Computer software	Technology	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2021					
As at January 1, 2021	—	58,582	—	—	58,582
Amortisation charge	—	(11,259)	—	—	(11,259)
Reversal of impairment losses *(Note 6(d))*	—	6,798	—	—	6,798
As at December 31, 2021	—	54,121	—	—	54,121
As at December 31, 2021					
Cost	—	123,783	29,241	—	153,024
Accumulated amortisation and impairment	—	(69,662)	(29,241)	—	(98,903)
Net book amount	—	54,121	—	—	54,121
Year ended December 31, 2020					
As at January 1, 2020	—	94,025	—	—	94,025
Amortisation charge	—	(9,240)	—	—	(9,240)
Impairment charges *(Note 6(d))*	—	(26,203)	—	—	(26,203)
As at December 31, 2020	—	58,582	—	—	58,582
As at December 31, 2020					
Cost	—	123,783	29,241	—	153,024
Accumulated amortisation and impairment	—	(65,201)	(29,241)	—	(94,442)
Net book amount	—	58,582	—	—	58,582
Year ended December 31, 2019					
As at January 1, 2019	7,462	109,453	11,236	9,200	137,351
Disposal of subsidiaries	(7,462)	—	(6,764)	(8,280)	(22,506)
Amortisation charge	—	(15,428)	(4,472)	(920)	(20,820)
As at December 31, 2019	—	94,025	—	—	94,025
As at December 31, 2019					
Cost	—	123,783	29,241	—	153,024
Accumulated amortisation and impairment	—	(29,758)	(29,241)	—	(58,999)
Net book amount	—	94,025	—	—	94,025

9. INVESTMENTS IN ASSOCIATES

	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
As at January 1	—	—	—
Additions	—	—	4,713
Impairment	—	—	(4,826)
Exchange differences	—	—	113
As at December 31	—	—	—

(a) Details of investments in associates

Name of entity	Place of business/ country of incorporation	Principal activities	% of interest held indirectly	Measurement method
Palaeontol B.V.	Netherlands	Exploration and production of oil in Kazakhstan through associate	40.0%	Equity
PetroBroad Copower Limited ("PetroBroad")	PRC/Hong Kong	Exploration of petroleum products in the northern part of the South China Sea pursuant to the PSC with China National Offshore Oil Corporation	34.0%	Equity

As at December 31, 2019, the Group owned 34% of PetroBroad's interest, which was disposed on March 30, 2020. The disposal gain was RMB91,000.

(b) Fair value

PBV and PetroBroad are private companies and there are no quoted market price available for their shares.

(c) Contingent liabilities

As at December 31, 2019, 2020 and 2021, there are no contingent liabilities relating to the Group's interest in its associates.

As at December 31, 2019, 2020 and 2021, the unrecognised losses from PBV were RMB193.3 million, RMB314.2 million and RMB364.1 million, respectively. As at December 31, 2019, the unrecognised losses from PetroBroad were RMB3.1 million.

(d) Summarised financial information

	Year ended December 31, 2019 PetroBroad *RMB'000*
Summarised consolidated statement of comprehensive income	
Revenue	—
General and administration expenses	(48)
Taxes other than income taxes	(2)
Others	(5,480)
Loss before income tax	(5,530)
Loss for the year	(5,530)
Total comprehensive loss for the year	(5,530)

	As at December 31, 2019 PetroBroad *RMB'000*
Summarised consolidated statement of financial position	
Current	
Cash and cash equivalents	3,139
Other current assets	26,437
Total current assets	29,576
Trade payables	(31,725)
Other current liabilities	(259,646)
Total current liabilities	(291,371)
Non-current	
Property, plant and equipment	249,992
Total non-current assets	249,992
Net liabilities	(11,803)

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates (if any), and not the Group's share of those amounts.

The financial information of PBV for the years ended December 31, 2019, 2020 and 2021 was disclosed in Note 42.

10. JOINT ARRANGEMENTS

Joint operations

During the 2019, 2020 and 2021, the Group had certain PSC interests, which are accounted for as joint operation in accordance with IFRS 11 "Joint arrangements". These PSCs establish joint control over the development and production activities of underlying oilfields. The assets are not owned by a separate legal entity but are controlled by individual participants in the PSCs. Each participant of the PSC is entitled to a pre-determined share of the related output and bears an agreed share of the costs. The Group acts as foreign contractor in these PSCs, which is responsible for the development and production activities in accordance with the approved production plans.

(a) Daan PSC

The Group holds 100% foreign contractor's interest in the Daan PSC, with CNPC as the Chinese PSC party. In accordance with the PSC, the Daan oilfield has commenced commercial production on January 1, 2005 for a period of 20 years, which is expiring on December 31, 2024.

On June 4, 2020, the Group successfully obtained an approval from CNPC to extend the expiry date of the commercial production period from December 31, 2024 to February 29, 2028 on the condition that the Group shall drill a minimum number of new wells in the Daan oilfield as agreed within a period of three years from June 2020.

(b) Moliqing PSC

The Group and Riyadh Energy Limited hold 10% and 90% foreign contractors' interest in the Moliqing oilfield, respectively, with CNPC as the Chinese PSC party.

In accordance with the PSC, the Moliqing oilfield has commenced commercial production phase since December 1, 2008 for a period of 20 years, which is expiring on November 30, 2028.

Pursuant to the respective PSCs with CNPC, the annual gross production of the crude oil shall, after payment for value added tax and royalty, be firstly deemed as the cost recovery oil and shall be used for cost recovery in the following sequence:

(i) Payment in kind for the operating costs incurred by foreign contractors and CNPC.

(ii) The remainder of the cost recovery oil shall, after payment for the operating costs, be deemed as investment recovery oil. Such investment recovery oil shall be used for the simultaneous recovery of the pilot test costs and the development costs incurred by foreign contractors and pre-development costs spent by CNPC in proportion of 20% by CNPC and 80% by foreign contractors. The unrecovered costs of the parties shall be carried forward to and recovered from the investment recovery oil in succeeding calendar years until being fully recovered.

(iii) After all pilot test costs and development costs incurred up to that time have been recovered, the remainder of the gross production of crude oil for that period is referred to as profit oil and shall be allocated in proportion of 52% to 48% between CNPC and the foreign contractors.

(iv) The operating costs incurred after the commencement of commercial production shall be paid by CNPC and the foreign contractors in accordance with the proportion of oil allocated to each party, respectively.

11. SUBSIDIARIES

(a) Details of principal subsidiaries

Name	Country of incorporation	Type of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion (%) of ordinary shares held by The Company	The Group
Directly held:						
Gobi Energy Limited ("Gobi")	Cayman Islands	Limited liability company	Production and sale of oil in the PRC	150,000 ordinary shares of US$1 each	100%	100%
MIE International Resources Limited ("MIE I")	Cayman Islands	Limited liability company	Production and sale of oil in the PRC	50,000 ordinary shares of US$1 each	100%	100%
Indirectly held by the completion of disposal on September 30, 2019:						
Maple Energy Investments Limited ("Maple Energy") *(Note)*	Hong Kong	Limited liability company	Investment	100 ordinary shares of HK$100 each	100%	100%
Canlin Energy Corporation ("Canlin") (Note)	Canada	Limited liability company	Production and sale of gas and oil in the Canada	Registered capital of C$296 million	100%	100%

Note: Maple Energy and Canlin are included in the disposal group which was classified as held for sale as at December 31, 2018. The disposal was completed on September 30, 2019.

(b) The Company's interests in subsidiaries are as below:

	Gobi Energy Limited *RMB'000*	MIE International Resources Limited *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended December 31, 2021				
As at January 1, 2021	744,874	126,773	—	871,647
Reversal of impairment losses	464,714	79,091	—	543,805
As at December 31, 2021	1,209,588	205,864	—	1,415,452
Year ended December 31, 2020				
As at January 1, 2020	1,290,590	219,650	—	1,510,240
Additions	—	—	6	6
Impairment losses	(545,716)	(92,877)	(6)	(638,599)
As at December 31, 2020	744,874	126,773	—	871,647
Year ended December 31, 2019				
As at January 1, 2019	1,290,590	219,650	—	1,510,240
As at December 31, 2019	1,290,590	219,650	—	1,510,240

(c) Impairment losses

As at December 31, 2019, 2020 and 2021, management has respectively performed an assessment of the Company's interest in its subsidiaries. The carrying value of the interests classified as interests in subsidiaries is compared against the recoverable amount, which is the higher of VIU and FVLCOD. Based on the assessments, recoverable amount is determined as the VIU.

Based on the assessments, the recoverable amounts of the Company's interests in subsidiaries as at December 31, 2019, 2020 and 2021 were RMB1,510.2 million, RMB871.6 million and RMB1,415.5 million, respectively.

As at December 31, 2019, the Company did not recognise impairment loss on interests in subsidiaries.

As at December 31, 2020, the Company recognised a total impairment losses amounting to RMB638.6 million, including an impairment loss amounting to RMB545.7 million on its interest in Gobi and an impairment loss amounting to RMB92.9 million on its interest in MIE I.

As at December 31, 2021, the Company recognised a total reversal of impairment losses amounting to RMB543.8 million, including a reversal of impairment losses amounting to RMB464.7 million on its interest in Gobi and a reversal of impairment losses amounting to RMB79.1 million on its interest in MIE I.

The key assumptions used in determining the recoverable amount are as follows:

	Assessment performed on December 31, 2021	2020	2019
Period of projection	2022–2028	2021–2028	2020–2028
Crude Oil price (US$/bbl)	59.2–70.0	44.0–58.0	61.4–75.9
Inflation rate (RMB)	2.2%	2.2%	2.2%
Exchange rate (US$/RMB)	6.6800	7.0201	6.9762
Pre-tax discount rate	24.00%	21.12%	17.75%
Post-tax discount rate	13.90%	14.50%	12.00%

12. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at FVOCI *RMB'000*	Other financial assets at amortised cost *RMB'000*	Total *RMB'000*
As at December 31, 2021			
As per statement of financial position			
Financial assets			
Financial assets at FVOCI *(Note 13)*	15,498	—	15,498
Trade and other receivables excluding prepayments *(Note 14, 15)*	—	123,717	123,717
Cash and cash equivalents *(Note 18)*	—	36,495	36,495
Restricted cash *(Note 17)*	—	81,592	81,592
Financial assets of disposal group classified as held for sale			
— Other receivables *(Note 19)*	—	350,356	350,356
	15,498	592,160	607,658

	Other financial liabilities at amortised cost *RMB'000*
As per statement of financial position	
Financial liabilities	
Borrowings *(Note 27)*	3,597,474
Trade and other payables excluding non-financial liabilities *(Note 25, 26)*	2,228,825
Lease liabilities *(Note 7)*	6,426
Financial liabilities of disposal group classified as held for sale	
— Other payables	1,854
	5,834,579

	Financial assets at FVOCI	Other financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2020			
As per statement of financial position			
Financial assets			
Financial assets at FVOCI *(Note 13)*	7,841	—	7,841
Trade and other receivables excluding prepayments *(Notes 14, 15)*	—	439,185	439,185
Cash and cash equivalents *(Note 18)*	—	20,353	20,353
Restricted cash *(Note 17)*	—	47,226	47,226
	7,841	506,764	514,605

	Other financial liabilities at amortised cost
	RMB'000
As per statement of financial position	
Financial liabilities	
Borrowings *(Note 27)*	3,686,133
Trade and other payables excluding non-financial liabilities *(Note 25, 26)*	1,415,793
Lease liabilities *(Note 7)*	13,153
	5,115,079

	Financial assets at FVOCI	Other financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2019			
As per statement of financial position			
Financial assets			
Financial assets at FVOCI *(Note 13)*	43,754	—	43,754
Trade and other receivables excluding prepayments *(Notes 14, 15)*	—	511,309	511,309
Cash and cash equivalents *(Note 18)*	—	13,711	13,711
Restricted cash *(Note 17)*	—	46,213	46,213
	43,754	571,233	614,987

	Other financial liabilities at amortised cost
	RMB'000
As per statement of financial position	
Financial liabilities	
Borrowings *(Note 27)*	3,999,267
Trade and other payables excluding non-financial liabilities *(Note 25, 26)*	831,546
Lease liabilities *(Note 7)*	13,445
	4,844,258

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVOCI			
Equity investments at FVOCI			
Non-current assets			
Unlisted company *(Note (a))*	15,498	7,841	41,491
Debt investments at FVOCI			
Non-current assets			
Debt investment	—	—	2,263

(a) Equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

(b) Amounts recognised in other comprehensive income

	Year ended December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Gains/(losses) recognised in other comprehensive income *(Note 23)*			
— Related to equity investments	7,925	(32,718)	(3,428)

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Deposits and other receivables			
Amounts due from an associate *(Note (e))*	—	891,481	919,022
Consideration receivables from disposal of partial interest in a former subsidiary	247,041	252,823	291,238
Loans granted to third parties	—	—	4,883
Other receivables			
— Related parties	185	190	44,898
— Others	36,013	26,229	184,611
Deposits	—	—	9,014
Interest receivable	—	—	349
Advances to employees	2,387	928	8,235
	285,626	1,171,651	1,462,250
Less: loss allowance *(Note 3.1(b))*	(247,041)	(784,183)	(1,012,315)
	38,585	387,468	449,935
Prepayments			
Prepaid expenses	1,847	2,862	4,334
Advances to suppliers	4,235	4,320	158,105
Less: loss allowance *(Note (c))*	(2,381)	(2,381)	(155,975)
	42,286	392,269	456,399
Current	40,439	31,239	71,036
Non-current	1,847	361,030	385,363
	42,286	392,269	456,399

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

(b) Impairment and risk exposure

Note 3.1 provides details about the impairment of other receivables and the Group's exposure to credit risk.

(c) Movements on loss allowance of prepayments

	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
As at January 1	2,381	155,975	153,417
(Write-off)/provision of loss allowance	—	(153,594)	2,558
As at December 31	2,381	2,381	155,975

Provision and reversal of loss allowance of prepayment have been included in "other gains/(losses), net" in the consolidated statement of comprehensive income.

The maximum exposure to credit risk at December 31, 2019, 2020 and 2021 is the carrying value of each class of prepayments and other receivables mentioned above.

(d) Other receivables

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Amounts denominated in:			
US$	9,050	368,369	397,933
RMB	29,535	19,099	52,002
	38,585	387,468	449,935

(e) The amounts due from an associate consists of shareholder loans and other receivables. The shareholder loans are unsecured, bear interest ranging from 4.9% to 5.0% per annum (Note 39) and maturing in 2021, 2023 and 2036, respectively. As at December 31, 2021, the amounts due from an associate consists of shareholder loans and other receivables with a carrying value of RMB350.4 million (net of loss allowance) were transferred to assets of disposal group classified as held for sale (Note 19(a)).

15. TRADE RECEIVABLES

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from:			
— PSC partner	83,046	50,252	60,508
— Third parties	2,086	1,465	866
	85,132	51,717	61,374
Less: loss allowance *(Note 3.1(b))*	—	—	—
	85,132	51,717	61,374

(a) Aging analysis

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Up to 30 days	83,767	50,987	61,238
Over 180 days	1,365	730	136
	85,132	51,717	61,374

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

The maximum exposure to credit risk at December 31, 2019, 2020 and 2021 is the carrying value of each class of receivables.

The Group does not hold any collateral as security.

(b) Fair values

The fair value of trade receivables approximates their carrying amounts.

(c) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

No loss allowance was recognised for trade receivables during 2019, 2020 and 2021.

Note 3.1 provides details about the impairment of trade receivables and the Group's exposure to credit risk.

(d) Trade receivables

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Amounts denominated in:			
RMB	85,132	51,717	61,374

(e) Trade receivables under the Daan PSC held by Gobi are pledged as a security for secured borrowings (Note 27(c)).

16. INVENTORIES

The inventories of the Group primarily represented crude oil, consumables and spare parts.

17. RESTRICTED CASH

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current *(Note(a))*	17,831	4,002	—
Current *(Note(b))*	63,761	43,224	46,213
	81,592	47,226	46,213

(a) Since the effectiveness of the Supplemental Production Sharing Contract, the Group is required to make deposit into a special bank account at pre-determined monthly amounts as approved by CNPC. The fund is set aside for future settlement of asset retirement obligations. The usage of the fund in that bank account requires approval of foreign contractors and CNPC.

(b) A deposit of US$6.6 million (equivalent to RMB46.2 million and RMB43.2 million as at December 31, 2019 and December 31 2020, respectively) was pledged against one of the secured borrowings of US$147.2 million entered between the Group and a third party on June 8, 2017. The deposit pledged against the same secured borrowings was US$10.0 million (equivalent to RMB63.8 million) as at December 31, 2021.

18. CASH AND CASH EQUIVALENTS

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	36,495	20,353	13,711

(a)

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Amounts denominated in:			
RMB	2,223	6,315	1,765
US$	34,134	13,816	11,733
Others	138	222	213
	36,495	20,353	13,711

19. 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 government 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 re-measurement 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))*	
Amounts due from an associate	887,101
Less: loss allowance	(536,745)
	350,356
	350,356

(i) As at December 31, 2021, the investment of 40% equity interest in PBV was classified as "assets of disposal group classified as held for sale" with nil carrying value. The financial information for PBV was disclosed in Note 42.

(ii) As at December 31, 2021, the shareholder loans due from PBV and other receivables from the other shareholders of PBV were classified as assets of disposal group classified as held for sale with a carrying 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	1,854

20. DISCONTINUED OPERATIONS

On September 24, 2018, the Group entered into an agreement with Far East Energy International Limited for the sale of its entire 100% equity investment in Maple Energy and its subsidiaries at a consideration of US$250.0 million. The associated assets and liabilities were consequently presented as held for sale in the 2018 financial statements.

The disposal was completed on September 30, 2019. Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

(a) Financial performance and cash flow information

	Period ended disposal date **2019** *RMB'000*
Financial performance	
Revenue	938,514
Other losses, net	(73,377)
Expenses	(1,430,721)
Loss before income tax	(565,584)
Income tax credit	198,695
Loss after income tax of discontinued operation	(366,889)
Gain on sale of the subsidiary after income tax	699,066
Profit from discontinued operations	332,177
Exchange differences on translation of discontinued operations	—
Other comprehensive income from discontinued operations	332,177
Cash flow information	
Net cash inflow from operating activities	11,911
Net cash outflow from investing activities	(92,059)
Net cash inflow from financing activities	80,163
Net increase in cash generated by the subsidiary	15

(b) Details of the sale of the subsidiary

	Period ended disposal date 2019 *RMB'000*
Consideration received or receivable:	
Fair value of borrowings	1,096,238
Fair value of inter-company loans	(1,264,793)
Total disposal consideration	(168,555)
Less:	
Carrying amount of net liabilities sold	(971,129)
Other disposal expense	1,205
Gain on sale before income tax and reclassification of foreign currency translation reserve	801,369
Reclassification of foreign currency translation reserve	(100,534)
Income tax expense on disposal gain	(1,769)
Gain on sale after income tax	699,066

The carrying amounts of assets and liabilities as at the disposal date were:

	As at September 30, 2019 *RMB'000*
Property, plant and equipment	3,315,806
Intangible assets	653,735
Derivative financial instrument	17,915
Right-of-use assets	30,554
Trade receivables	184,807
Prepayments, deposits and other receivables	74,595
Cash and cash equivalents	2,264
Total assets	4,279,676
Trade and other payables	210,490
Provisions, accruals and other liabilities	1,197,965
Borrowings	1,182,092
Deferred income tax liabilities	308,176
Financial liabilities at FVTPL	993,096
Current income tax liabilities	11,652
Derivative financial instruments	52,163
Amount due to related parties	1,264,793
Lease liabilities	30,378
Total liabilities	5,250,805
Net assets	(971,129)

21. SHARE CAPITAL

	Number of shares *Thousand*	Ordinary shares *USD'000*
Authorised:		
Ordinary shares of US$0.001 each		
As at January 1, 2021 and December 31, 2021	100,000,000	100,000
As at January 1, 2020 and December 31, 2020	100,000,000	100,000
As at January 1, 2019 and December 31, 2019	100,000,000	100,000

	Number of shares *Thousand*	Ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid:				
Ordinary shares of US$0.001 each				
As at January 1, 2021 and December 31, 2021	3,269,421	21,752	1,079,497	1,101,249
As at January 1, 2020 and December 31, 2020	3,269,421	21,752	1,079,497	1,101,249
As at January 1, 2019	2,938,597	19,489	1,049,307	1,068,796
Add: allotment of new shares	330,824	2,263	30,190	32,453
As at December 31, 2019	3,269,421	21,752	1,079,497	1,101,249

22. SHARE-BASED PAYMENTS

Details of the equity-settled share option schemes, share award scheme and cash-settled stock appreciation rights plan adopted by the Company are as follows:

The share options, stock appreciation rights and share awards granted generally vest over a two or three-year period following a specified vesting commencement date. Typically, the share options, stock appreciation rights and share awards granted vest at each anniversary of the grant date within the vesting period, subject to the participant continuing to be an employee on each vesting date. The terms of share options, stock appreciation rights and share awards granted will not exceed ten years from the grant date.

(a) Stock incentive compensation plan (the "Plan")

The Plan was adopted on November 20, 2009 with the purpose of providing additional incentive to employees, directors and consultants to attract and retain the best available personnel for positions of substantial responsibility. Pursuant to the Plan, the stock appreciation rights gives grantees no right or other interest in any shares or other securities in the Company, but the right to receive a cash bonus which is calculated by reference to the increase, if any, in the fair market value of the relevant shares as at the date of exercise above the grant price until the stock appreciation rights terminates or expires.

Stock appreciation rights granted under the Plan

	2021		2020		2019	
	Average exercise price per share	**Stock appreciation rights**	**Average exercise price per share**	**Stock appreciation rights**	**Average exercise price per share**	**Stock appreciation rights**
Stock appreciation rights						
As at January 1	HK$0.01	400,000	US$0.13	854,644	US$0.13	13,755,808
Lapsed		—	US$0.26	(454,644)	US$0.13	(12,901,164)
Cancelled	HK$0.01	(400,000)		—		—
As at December 31	HK$0.01	—	HK$0.01	400,000	US$0.13	854,644
As at December 31						
Expiry date						
February 26, 2020		—		—	US$0.26	454,644
November 19, 2025		—	HK$0.01	400,000	HK$0.01	400,000
		—		400,000		854,644
As at December 31						
Exercisable		—		400,000		854,644

(b) Share option scheme under Chapter 17 of the Listing Rules

The 2010 Share Option Scheme and the 2021 Share Option Scheme adopted by the Company were approved by shareholders on November 27, 2010 and June 25, 2021, respectively, in accordance with Chapter 17 of the Listing Rules. The purpose of the share option scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

	2021		2020		2019	
	Average exercise price per share	Options	Average exercise price per share	Options	Average exercise price per share	Options
The Scheme						
As at January 1	HK$0.269	142,516,803	HK$0.269	151,573,615	HK$1.20	129,547,174
Cancelled	HK$0.269	(142,516,803)		—	HK$1.20	(122,333,243)
Granted	HK$0.044	142,516,803		—	HK$0.269	155,089,171
Lapsed	HK$0.044	(1,155,774)	HK$0.269	(9,056,812)	HK$0.895	(10,729,487)
As at December 31	HK$0.044	141,361,029	HK$0.269	142,516,803	HK$0.269	151,573,615
As at December 31						
Expiry date						
May 15, 2029		—	HK$0.269	142,516,803	HK$0.269	151,573,615
June 29, 2031	HK$0.044	141,361,029		—		—
As at December 31						
Exercisable		141,361,029		95,011,201		50,524,538

(c) 2015 Share Award Scheme

Apart from above Plan and Scheme, to recognise the contributions by certain grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group, the Board of Directors resolved to adopt the 2015 Share Award Scheme on January 6, 2015.

	2021 Awarded Shares	2020 Awarded Shares	2019 Awarded Shares
2015 Share Award Scheme			
As at January 1	6,300,000	6,300,000	6,300,000
Granted	5,675,165	—	—
Exercise	(10,975,165)	—	—
As at December 31	1,000,000	6,300,000	6,300,000

(d) Fair values

The fair value of stock appreciation rights at December 31, 2019 and December 31, 2020, and the fair value of share options at the date of grant are determined using the Binomial Model. The fair value and significant inputs into the model are as follows:

(i) Share Option

	2019 Grants Share Option *HK$*	**2021 Grants Share Option** *HK$*
Fair value per unit	0.12	0.02
Share price at grant date	0.24	0.04
Fair value per share at period end	0.12	0.02
Exercise price	0.27	0.04
Volatility (%)	65.63%	78.67%
Dividend yield (%)	—	—
Annual risk-free rate (%)	1.59%	1.34%
Remaining term (year)	9.38	9.50

(ii) Stock appreciation rights

	2010 Grants Stock appreciation rights 2019 *US$*	**2015 Grants Stock appreciation rights 2019** *HK$*	**2015 Grants Stock appreciation rights 2020** *HK$*
Fair value per unit	—	0.11	0.11
Share price at grant date	0.02	0.95	0.95
Fair value per share at period end	0.02	0.12	0.12
Exercise price	0.26	0.01	0.01
Volatility (%)	48.29%	79.65%	79.65%
Dividend yield (%)	—	—	—
Annual risk-free rate (%)	1.92%	1.78%	1.78%
Remaining term (year)	0.16	5.89	4.89

23. OTHER RESERVES

	Foreign currency translation reserve *RMB'000*	Share based payment reserve *RMB'000*	Safety fund reserve *RMB'000*	Financial assets at FVOCI *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at January 1, 2021	43,500	116,829	187,356	(49,482)	(64,937)	233,266
Foreign currency translation differences	125,875	—	—	—	—	125,875
Change in the fair value of equity instruments at FVOCI *(Note (a))*	—	—	—	7,925	—	7,925
Employees stock option scheme — Value of employee services *(Note 32)*	—	3,987	—	—	—	3,987
As at December 31, 2021	169,375	120,816	187,356	(41,557)	(64,937)	371,053
As at January 1, 2020	(307,785)	112,082	187,356	(16,764)	(64,937)	(90,048)
Foreign currency translation differences	351,285	—	—	—	—	351,285
Change in the fair value of equity instruments at FVOCI *(Note (a))*	—	—	—	(32,718)	—	(32,718)
Employees stock option scheme — Value of employee services *(Note 32)*	—	4,747	—	—	—	4,747
As at December 31, 2020	43,500	116,829	187,356	(49,482)	(64,937)	233,266
As at January 1, 2019	(355,156)	101,241	187,356	(13,336)	(63,887)	(143,782)
Foreign currency translation differences	(59,103)	—	—	—	—	(59,103)
Change in the fair value of equity instruments at FVOCI *(Note (a))*	—	—	—	(3,428)	—	(3,428)
Employees stock option scheme — Value of employee services *(Note 32)*	—	10,841	—	—	—	10,841
Disposal of subsidiaries	106,474	—	—	—	(1,050)	105,424
As at December 31, 2019	(307,785)	112,082	187,356	(16,764)	(64,937)	(90,048)

(a) Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity investments in other comprehensive income (Note 13). These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity investments are derecognised.

24. DEFERRED INCOME TAX

	As at December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets:			
— to be recovered after more than 12 months	—	816	816
Deferred income tax liabilities:			
— to be settled after more than 12 months	(282,399)	(213,320)	(173,803)
Deferred income tax liabilities — net	(282,399)	(212,504)	(172,987)

(a) Movements of deferred income tax account

	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
As at January 1	(212,504)	(172,987)	(114,068)
Tax charged to loss *(Note 34)*	(69,895)	(39,517)	(58,919)
As at December 31	(282,399)	(212,504)	(172,987)

(b) Movements in deferred income tax assets and liabilities (without taking into consideration the offsetting of balances within the same tax jurisdiction)

	Accelerated tax depreciation	Asset retirement obligations	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets				
As at January 1, 2021	616	7,432	93,833	101,881
(Charged)/credited to profit or loss	(616)	5,512	(93,833)	(88,937)
As at December 31, 2021	—	12,944	—	12,944
As at January 1, 2020	616	2,375	141,919	144,910
Credited/(charged) to profit or loss	—	5,057	(48,086)	(43,029)
As at December 31, 2020	616	7,432	93,833	101,881
As at January 1, 2019	600	2,669	166,547	169,816
Credited/(charged) to profit or loss	16	(294)	(24,628)	(24,906)
As at December 31, 2019	616	2,375	141,919	144,910

	Accelerated tax depreciations *RMB'000*	Fair value gains of mineral interests *RMB'000*	Total *RMB'000*
Deferred income tax liabilities			
As at January 1, 2021	(299,740)	(14,645)	(314,385)
Credited to profit or loss	17,927	1,115	19,042
As at December 31, 2021	(281,813)	(13,530)	(295,343)
As at January 1, 2020	(294,391)	(23,506)	(317,897)
(Charged)/credited to profit or loss	(5,349)	8,861	3,512
As at December 31, 2020	(299,740)	(14,645)	(314,385)
As at January 1, 2019	(256,520)	(27,364)	(283,884)
(Charged)/credited to profit or loss	(37,871)	3,858	(34,013)
As at December 31, 2019	(294,391)	(23,506)	(317,897)

(c) Deferred income tax assets not recognised

	As at December 31,		
	2021 *RMB'000*	**2020** *RMB'000*	**2019** *RMB'000*
Deferred income tax assets not recognised			
Tax losses and temporary difference	423,483	584,345	237,962
Deferred income tax assets not recognised	105,871	146,086	59,491

Deferred income tax assets are recognised for tax loss carry-forwards and deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Tax losses without recognition of deferred income tax assets can be carried forward against future taxable income. For the year ended December 31, 2019, these losses amounting to RMB135.2 million and RMB102.7 million expired in 2020 and 2021, respectively. For the year ended December 31, 2020, these losses amounting to RMB102.7 million expired in 2021 and RMB0.6 million will expire in 2025. For the year ended December 31, 2021, these losses amounting to RMB1.2 million, RMB0.6 million and RMB9.5 million will expire in 2023, 2025 and 2026, respectively.

25. TRADE AND NOTES PAYABLES

	As at December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes payables	494,502	358,401	460,245
Less: non-current portion of trade and notes payables	(120,432)	(32,840)	(74,169)
Current	374,070	325,561	386,076

(a) Aging analysis

	As at December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Up to 6 months	367,574	162,972	222,202
6 months–1 year	58,493	34,213	93,183
1–2 years	19,741	100,180	99,986
2–3 years	24,425	39,236	30,707
Over 3 years	24,269	21,800	14,167
	494,502	358,401	460,245

(b) Fair value

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

(c)

	As at December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Amounts denominated in:			
RMB	494,502	358,401	460,245

26. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

	As at December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Asset retirement obligations *(Note (a))*	110,660	96,932	86,264
Interest payable	1,496,380	824,060	122,846
Salary and welfare payable	33,866	77,059	84,615
Withholding and other tax payable	8,316	57,195	58,186
Consideration payables for the foreign contractor's participating interests in the PRC	3,046	16,167	31,935
Other payables	183,157	120,233	130,256
	1,835,425	1,191,646	514,102
Less: non-current portion of			
— Asset retirement obligations	(110,660)	(96,932)	(86,264)
— Others	—	(56,791)	(56,777)
	(110,660)	(153,723)	(143,041)
Current	1,724,765	1,037,923	371,061

(a) Asset retirement obligations

	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
As at January 1	96,932	86,264	12,414
Provision for the year *(Note 6(b))*	1,998	264	73,378
Accretion expenses *(Note 31)*	11,730	10,404	472
As at December 31	110,660	96,932	86,264

(b)

	As at December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Amounts denominated in:			
RMB	154,499	130,458	120,526
US$	1,143,868	766,689	385,191
HK$	536,975	294,410	8,038
C$	83	89	347
	1,835,425	1,191,646	514,102

(c) Fair value

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

(d) The Company's provisions, accruals and other liabilities are as follows:

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Interest payable	1,165,360	622,291	122,846
Salary and welfare payable	29,658	68,030	70,910
Withholding and other tax payable	—	38	57,002
Consideration payables for the foreign contractor's participating interests in the PRC	3,046	16,167	31,935
Other payables	87,984	90,074	96,676
	1,286,048	796,600	379,369
Less: non-current portion of — Withholding tax payable	—	—	(56,776)
Current	1,286,048	796,600	322,593

(e) The Company's amounts due to subsidiaries are as follows:

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Gobi Energy Limited	2,024,619	1,922,899	1,899,494
Others	49,552	50,757	50,378
	2,074,171	1,973,656	1,949,872

There is no interest rate or maturity date for the Company's amounts due to subsidiaries.

27. BORROWINGS

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current			
— 2022 Senior Notes *(Note (a), (b))*	1,583,686	1,620,746	—
— Secured borrowings *(Note (a), (c))*	2,013,788	2,065,387	2,278,762
	3,597,474	3,686,133	2,278,762
Non-current			
— 2022 Senior Notes *(Note (a), (b))*	—	—	1,720,505
	—	—	1,720,505
	3,597,474	3,686,133	3,999,267

(a) Default, cross-default and the Debt Restructuring Plans

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 41, 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.

(b) Senior Notes

			As at December 31,		
			2021	**2020**	**2019**
	Coupon rate	**Due date**	*RMB'000*	*RMB'000*	*RMB'000*
2022 Senior Notes	13.75%	April 12, 2022	1,583,686	1,620,746	1,720,505

The 2022 Senior Notes was issued in April 2019 in the principal amount of US$248.4 million bearing annual interest at 13.75% due on April 12, 2022. The 2022 Senior Notes were listed on the Singapore Exchange Securities Trading Limited.

Details of default of 2022 Senior Notes on May 11, 2020 and the revised terms pursuant to the Debt Restructuring Plans effective on March 30, 2022 are set out in Note (a) above.

(c) Secured borrowings

The securities for the secured borrowings were set out below:

- Pledge over the Group's interest under the Daan PSC held by Gobi and MIE I;
- Pledge over the Group's account receivable under the Daan PSC held by Gobi;
- Pledge over the Group's shareholder's loan to an associate;

- Pledge over the Group's other receivable from a third party;
- Share charge over the entire issued share capital of Gobi, MIE I and certain other subsidiaries of the Group;
- Account charge over a bank account of the Group;
- Share charge over all issued share capital in an associate held by the Group; and
- Personal guarantees provided by Mr. Zhang Ruilin, Ms. Zhao Jiangbo and Mr. Zhao Jiangwei

Details of the cross-default of the secured borrowings on May 11, 2020 and the revised terms pursuant to the Debt Restructuring Plans effective on March 30, 2022 are set out in Note (a) above.

(d) Effective interest rate and estimated fair value

	Senior Notes	Secured borrowings	Total
Effective interest rate:			
As at December 31, 2021	13.75%	8.00% to 36.00%	8.00% to 36.00%
As at December 31, 2020	13.75%	8.00% to 36.00%	8.00% to 36.00%
As at December 31, 2019	15.04%	8.00% to 25.58%	8.00% to 25.58%
Estimated fair value			
As at December 31, 2021	245,582	2,013,788	2,259,370
As at December 31, 2020	117,050	2,065,387	2,182,437
As at December 31, 2019	1,090,757	2,278,762	3,369,519

The fair values of the 2022 Senior Notes are based on its closing prices quoted on Singapore Exchange Securities Trading Limited; Secured borrowings are based on the effective interest rate from 8.00% to 36.00%.

The 2022 Senior Notes bear fixed interest rate, which are not subject to interest rate changes.

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

	Senior Notes As at December 31,			Secured borrowings As at December 31,		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts repayable						
Within 1 year	1,583,686	1,620,746	—	2,013,788	2,065,387	2,278,762
Between 2 and 5 years	—	—	1,720,505	—	—	—
	1,583,686	1,620,746	1,720,505	2,013,788	2,065,387	2,278,762

On May 11, 2020, the Group did not pay the interest accrued on the 2022 Senior Notes (Note (b)) 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 secured borrowings of the Group. As a result, the entire balance of the principal and related outstanding interest due on the Cross-Defaulted Borrowings became immediately repayable.

(f)

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Amounts denominated in:			
US$	2,897,143	2,964,941	3,190,111
HK$	700,331	721,192	809,156
	3,597,474	3,686,133	3,999,267

(g) The Company's borrowings are as follows:

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current			
— 2022 Senior Notes	1,583,686	1,620,746	—
— Secured borrowings	1,075,222	1,104,856	1,219,854
	2,658,908	2,725,602	1,219,854
Non-current			
— 2022 Senior Notes	—	—	1,720,505
	—	—	1,720,505
	2,658,908	2,725,602	2,940,359

28. OTHER GAINS/(LOSSES), NET

	Year ended December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Losses on changes in fair value of financial instruments	—	—	(71,159)
Losses on disposal of subsidiaries *(Note (a))*	—	—	(21,197)
Management fee income as the PSC operator	3,811	3,514	2,721
Others	5,294	(463)	8,919
	9,105	3,051	(80,716)

(a) On December 26, 2019, the Company entered into an agreement with an independent third party purchaser pursuant to which the Company agreed to sell and the purchaser agreed to purchase the entire issued share capital of Asia Oil & Gas (Cayman) Limited ("Asia Oil & Gas"). As at the date of the purchase and sale agreement, Asia Oil & Gas is a 100% wholly owned subsidiary of the Company. The principal business activity of Asia Oil & Gas is its investment holding in China Aerospace Telecommunications (Shenzhen) Limited as a minority shareholder. The disposal was completed on December 31, 2019.

Asia Oil & Gas ceased to be a subsidiary of the Group upon completion and it did not constitute a discontinued operation. A loss arising on the disposal of approximately RMB21.2 million was recognised in the consolidated statement of comprehensive income.

29. TAXES OTHER THAN INCOME TAXES

	Year ended December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
PRC:			
Petroleum special profit charge *(Note (a))*	9,581	—	—
Urban construction tax and education surcharge	4,502	3,016	3,935
Others	91	88	86
	14,174	3,104	4,021
Corporate and others:			
Others	3,465	3,711	3,838
	17,639	6,815	7,859

(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. For the years ended December 31, 2019 and 2020, petroleum special profit charge was nil. For the year ended December 31, 2021, petroleum special profit charge was RMB9.6 million.

30. INTEREST INCOME

	Year ended December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Interest income arising from			
— Interest income from bank deposits	41	21	27
— Shareholder's loans to an associate	17,732	35,322	42,491
	17,773	35,343	42,518

31. FINANCE COSTS

	Year ended December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Interest expense at coupon rates	(773,780)	(761,461)	(499,791)
Amortisation of discounts			
— Asset retirement obligations *(Note 26(a))*	(11,730)	(10,404)	(472)
— Others	17	(1,741)	(105,167)
Finance charges for lease liabilities *(Note 7)*	(1,650)	(2,302)	(2,615)
Others	(344)	(441)	(2,267)
	(787,487)	(776,349)	(610,312)
Exchange (losses)/gains, net	(15,400)	(69,605)	4,509
	(802,887)	(845,954)	(605,803)

32. EMPLOYEE BENEFIT EXPENSES

	Year ended December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and allowances	70,138	79,391	114,599
Employees stock option scheme			
— Value of employee services	3,987	4,747	10,841
Pension costs — Defined contribution plans *(Note (a))*	12,391	4,592	11,013
House allowance and other welfare	15,354	13,181	6,914
	101,870	101,911	143,367

(a) Pension costs — defined contribution plans

The Group is required to make contributions for its employees in the mainland China to the state-sponsored retirement plan at a rate of 16% (for the years of 2019, 2020 and 2021) based on the qualified salaries of the individual employees. The PRC government is responsible for the pension liability of the retired employees.

During the years ended December 31, 2019, 2020 and 2021, no forfeited contributions were utilised by the Group to reduce its contributions for the years.

(b) Five highest paid individuals of the Group

	Year ended December 31, 2021	2020	2019
Five highest paid individuals			
Directors	2	1	3
Non-director individual	3	4	2
	5	5	5

The emoluments payable to the directors of five highest paid individuals in the Group are reflected in the analysis shown in Note 40. The emoluments payable to the remaining non-director of the five highest paid individuals during the years of 2019, 2020 and 2021 are as follows:

	Year ended December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	5,246	4,738	6,100
Discretionary bonuses	5,932	12,103	13,914
Pension costs — defined contribution plans	68	36	48
House allowance and other welfare	2,763	2,271	194
Share options expenses	622	1,156	1,597
	14,631	20,304	21,853

The emoluments fell within the following bands:

	Number of individuals		
	2021	**2020**	**2019**
Emolument bands (in HK$)			
HK$3,500,001–HK$4,000,000	—	1	—
HK$4,500,001–HK$5,000,000	1	—	—
HK$5,000,001–HK$5,500,000	—	1	1
HK$6,000,001–HK$6,500,000	1	—	—
HK$6,500,001–HK$7,000,000	1	2	—
HK$19,000,001–HK$19,500,000	—	—	1
	3	4	2

(c) During 2019, 2020 and 2021, none of the Directors of the Company or the five highest paid individuals:

(i) received any emolument from the Group as an inducement upon joining the Group;

(ii) waived or has agreed to waive any emoluments.

33. LOSS BEFORE INCOME TAX

Loss before income tax was determined after charging the following:

	Year ended December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Auditor's remuneration			
Included in continuing operations:			
— audit and audit related services	6,290	4,959	5,236
— non-audit services	171	414	625
Included in discontinued operations:			
— audit and audit related services	—	—	1,330
Operating lease expenses	1,407	2,166	8,386

34. INCOME TAX EXPENSE

	Year ended December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	30,041	3,074	3,534
Deferred income tax *(Note 24)*	69,895	39,517	58,919
	99,936	42,591	62,453

(a) Current income tax

The Company and its subsidiaries incorporated in the Cayman Islands and the British Virgin Islands are exempted from payment of local income tax.

No provision for Hong Kong profits tax has been provided as the Group did not derive any assessable profits in Hong Kong during 2019, 2020 and 2021.

According to the PRC Enterprise Income Tax Law promulgated by the PRC government, the tax rate applicable to the Group's subsidiaries established in the PRC and the PRC branches of the Group's subsidiaries is 25%. Enterprise income tax in the PRC is calculated based on the taxable profit of the companies or branches established in the PRC.

Taxation has been calculated on the estimated assessable profit for the years of 2019, 2020 and 2021 at the rates of taxation prevailing in the countries in which the Group operates.

(b) The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	Year ended December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Loss before income tax	(238,425)	(1,308,722)	(1,398,673)
Tax calculated at domestic tax rates applicable to profits in the respective countries	161,174	(81,200)	39,605
Tax effects of:			
— Expenses not deductible for tax purposes	6,307	1,373	1,619
— Temporary differences for which no deferred income tax asset was recognised	—	120,403	973
— Recognition of temporary differences relating to acquisition of interests in joint arrangements upon agreement of tax authority	—	—	20,580
— Usage or reversal of previously unrecognised temporary differences and tax losses	(67,545)	—	—
— Under/(over) provision in prior years	—	2,015	(324)
Tax charge	99,936	42,591	62,453

For the years ended December 31, 2019, 2020 and 2021, the weighted average effective tax rate was negative 4%, negative 3% and negative 42%, respectively. The changes of effective tax rates from year 2019 to 2021 was mainly due to the fluctuation of the crude oil prices, which resulted in the change of taxable profits of Gobi in the three years.

35. DIVIDENDS

The Board of Directors did not propose a dividend for the years of 2019, 2020 and 2021.

36. (LOSS)/EARNINGS PER SHARE

(a) Basic

	Year ended December 31, 2021	2020	2019
(Loss)/profit for the year attributable to owners of the Company used to determine basic (loss)/earnings per share (RMB'000)			
— Continuing operations	(338,361)	(1,351,313)	(1,457,214)
— Discontinued operations	—	—	332,177
Weighted average number of ordinary shares (Thousands)	3,269,421	3,269,421	3,151,584
Basic (loss)/earnings per share (RMB)			
— Continuing operations	(0.10)	(0.41)	(0.46)
— Discontinued operations	—	—	0.11
	(0.10)	(0.41)	(0.35)

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during 2019, 2020 and 2021.

(b) Diluted

The Group made a loss during 2019, 2020 and 2021. 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 for continuing operations is calculated in the same way with the basic loss per share. There is no potential diluted shares since the exercise prices of the share options are higher than the market prices, the diluted earnings per share for discontinued operations is calculated in the same way with the basic earnings per share.

37. NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Continuing operations			
Loss before income tax	(238,425)	(1,308,722)	(1,398,673)
Adjustments for:			
Depreciation, depletion and amortisation	263,924	250,159	348,751
Interest income *(Note 30)*	(17,773)	(35,343)	(42,518)
Interest expense — net *(Note 31)*	787,487	776,349	610,312
Net impairment losses on financial assets	17,732	3,740	698,154
(Reversal of)/provision for impairment losses on assets	(183,713)	506,748	4,826
Share-based payment to employees	3,987	4,747	10,841
Exchange losses	15,400	69,605	(4,509)
Losses on changes in fair value of financial instruments	—	—	71,159
Losses on disposal of subsidiaries	—	—	21,197
Others	—	(91)	—
Changes in working capital:			
Trade and other receivables	(115,630)	61,924	(3,678)
Trade and other payables	37,259	(85,481)	162,766
Inventories	2,276	(3,479)	1,285
Cash generated from operations	572,524	240,156	479,913
Cash flows from operating activities			
Continuing operations	572,524	240,156	479,913
Interest paid	(71,061)	(44,855)	(418,196)
Income taxes paid	(11,531)	(8,449)	—
Discontinued operations	—	—	11,911
Net cash inflow from operating activities	489,932	186,852	73,628

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	36,495	20,353	13,711
Borrowings — repayable within one year (including overdraft)	(3,597,474)	(3,686,133)	(2,278,762)
Borrowings — repayable after one year	—	—	(1,720,505)
Lease liabilities	(6,426)	(13,153)	(13,445)
Net debt	(3,567,405)	(3,678,933)	(3,999,001)
Cash and liquid investments	36,495	20,353	13,711
Gross debt — fixed interest rates	(3,603,900)	(3,699,286)	(4,012,712)
Net debt	(3,567,405)	(3,678,933)	(3,999,001)

	Cash and cash equivalent *RMB'000*	Liquid investments *RMB'000*	Borrowing due within 1 year *RMB'000*	Borrowing due after 1 year *RMB'000*	Financial liabilities at FVTPL *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
Net debt							
As at January 1, 2021	20,353	—	(3,686,133)	—	—	(13,153)	(3,678,933)
Cash flows							
— Continuing operations	17,417	—	—	—	—	8,735	26,152
New leases	—	—	—	—	—	(2,388)	(2,388)
Foreign exchange adjustments	(1,275)	—	88,659	—	—	225	87,609
Other non-cash movements	—	—	—	—	—	155	155
As at December 31, 2021	36,495	—	(3,597,474)	—	—	(6,426)	(3,567,405)
As at January 1, 2020	13,711	—	(2,278,762)	(1,720,505)	—	(13,445)	(3,999,001)
Cash flows							
— Continuing operations	6,817	—	10,446	—	—	9,938	27,201
New leases	—	—	—	—	—	(13,538)	(13,538)
Foreign exchange adjustments	(175)	—	140,035	112,100	—	946	252,906
Other non-cash movements	—	—	(1,557,852)	1,608,405	—	2,946	53,499
As at December 31, 2020	20,353	—	(3,686,133)	—	—	(13,153)	(3,678,933)
As at January 1, 2019	28,115	17,755	(2,549,888)	(1,786,066)	(313,969)	(7,056)	(4,611,109)
Cash flows							
— Continuing operations	(14,644)	—	55,716	—	7,264	6,145	54,481
New leases	—	—	—	—	—	(12,487)	(12,487)
Foreign exchange adjustments	240	118	(24,658)	(18,351)	14,023	(47)	(28,675)
Other non-cash movements	—	(17,873)	240,068	83,912	292,682	—	598,789
As at December 31, 2019	13,711	—	(2,278,762)	(1,720,505)	—	(13,445)	(3,999,001)

38. COMMITMENTS AND CONTINGENCIES

(a) Commitments

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

	As at December 31, 2021 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*
Authorised by the Board of Directors but not contracted for	441,995	530,232	139,692

(ii) Operating lease commitments for short-term leases

The Group has operating lease commitments related to its non-cancellable operating leases for offices and vehicles. The future aggregate minimum lease payments under these operating leases not recognised in lease liabilities are as follows:

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	1,326	2,410	1,448

(b) Contingencies

The Group has contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at December 31, 2019, 2020 and 2021, the Directors did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the financial statements.

39. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group incurred significant transactions and balances with related parties in the ordinary course of its business.

Other than the transactions described in Note (a) purchase for oilfield services; and rental of vehicles and office premises, which constituted connected transactions or continuing connected transactions (with rental of vehicles and office premises exempted from the reporting and announcement requirements due to de minimis) under Chapter 14A of the Listing Rules. The Group confirms that the continuing connected transactions as described below have complied with the requirements under Chapter 14A of the Listing Rules.

(a) Significant transactions with related parties are set out below:

	Year ended December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Transactions with associates			
— Interest income from shareholder's loan to an associate	17,732	33,718	37,652
— Investment in PetroBroad	—	—	(4,883)
Transactions with controlling shareholder of the Company's ultimate holding company and/or a company/person related to the controlling shareholder of the Company's ultimate holding company (*)			
— Purchase for oilfield services	(118,970)	(97,146)	(111,814)
— Rental of vehicles and office premises	(180)	(193)	(193)
— Individual loan from Mrs. Zhang	—	—	19,084
— Repayment of individual loan and interest of Mrs. Zhang	—	(2,619)	(17,055)

* The purchases of oilfield services and rental of vehicles and office premises represented gross amount transacted between the Group and Mrs. Zhang or entities controlled by Mrs. Zhang.

(b) Year-end balances with related parties are summarised as follows:

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Included in "trade and other receivables" and "assets of disposal group classified as held for sale":			
Other receivables from an associate	6,508	6,661	7,121
Shareholder loans granted to an associate	880,594	884,820	911,901
Other receivables from companies controlled by the controlling shareholder of the Company's ultimate holding company	185	190	1,734
	887,287	891,671	920,756
Included in "trade and other payables" and "liabilities of disposal group classified as held for sale":			
Trade payables to companies controlled by the controlling shareholder of the Company's ultimate holding company	6,985	85,007	118,515
Other payables to an associate	486	498	532
Others	—	—	1,595
	7,471	85,505	120,642

As at December 31, 2019 and 2020, trade payables to companies controlled by the controlling shareholder of the Company's ultimate holding company represent payables for oilfield related services from Jilin Guotai Petroleum Development Company and its subsidiaries, Songyuan Guotai Petroleum Technology Service Company and Jilin Guotai Drilling Engineering Technology Service Company.

As at December 31, 2021, trade payables to companies controlled by the controlling shareholder of the Company's ultimate holding company represent payables for oilfield related services from Jilin Guotai Petroleum Development Company and its subsidiaries, Songyuan Guotai Petroleum Technology Service Company.

As at December 31, 2021, the amounts due from an associate consists of shareholder loans and other receivables with a carrying value of RMB350.4 million were transferred to assets of disposal group classified as held for sale (Note 19(a)).

(c) Loan to related parties

	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Loan to associates:			
As at January 1	884,820	911,901	879,895
— Repayment	(1,577)	—	(27,578)
— Interest charged	17,732	33,718	37,652
— Exchange (losses)/gains	(20,381)	(60,799)	21,932
— Transfer to disposal group classified as held for sale	(880,594)	—	—
As at December 31	—	884,820	911,901

The shareholders loans to associate as at December 31, 2019, 2020 and 2021 is unsecured, carries interest ranging from 4.9% to 5.0% per annum.

(d) Loan from related parties

	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Loan from related parties			
As at January 1	—	2,633	170
— Addition	—	—	19,084
— Interest charged	—	16	417
— Repayment	—	(2,619)	(17,055)
— Exchange (losses)/gains	—	(30)	17
As at December 31	—	—	2,633

The loan from related parties as at December 31, 2019 and 2020 is unsecured, carries interest 8% per annum. All of the loan has been repaid in 2020.

(e) Key management compensation

	Year ended December 31,		
	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries and allowances	10,358	10,523	25,284
Discretionary bonuses	9,419	16,489	39,429
Value of share based payment			
— Value of employee services	1,201	2,556	5,991
Other benefits including pension	4,513	4,329	2,289
	25,491	33,897	72,993

Key management includes directors and members of senior management. Bonuses fall due wholly within twelve months after the end of each reporting period in which management rendered the related services.

40. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

	Fees	Salaries and allowances	Discretionary bonuses	Housing allowance	Share options expenses	Employer's contribution to pension scheme	Other benefits	Awarded shares	Stock appreciation rights granted	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2021										
Executive Directors										
Zhang Ruilin	—	2,524	1,934	1,679	164	15	447	—	—	6,763
Zhao Jiangwei	—	1,507	774	254	164	34	392	—	—	3,125
Wong Ka Wai *(Note (i))*	86	—	—	—	—	—	—	—	—	86
Non-Executive Directors										
Xie Na *(Note (ii))*	—	—	—	—	—	—	—	—	—	—
Guan Hongjun *(Note (ii))*	—	—	—	—	—	—	—	—	—	—
Cheng Ko Pang *(Note (iii))*	—	—	—	—	—	—	—	—	—	—
Feng Chong *(Note (iv))*	—	—	—	—	—	—	—	—	—	—
Independent Non-executive Directors										
Mei Jianping	258	—	—	—	26	—	—	10	—	294
Jeffrey Willard Miller *(Note (ii))*	215	—	—	—	38	—	—	10	—	263
Guo Yanjun	258	—	—	—	—	—	—	—	—	258
Liu Ying Shun *(Note (i))*	86	—	—	—	—	—	—	—	—	86
So Tsz Kwan *(Note (i))*	86	—	—	—	—	—	—	—	—	86
Ai Min *(Note (i))*	86	—	—	—	—	—	—	—	—	86
Chief Executive Officer										
Mei Liming *(Note (v))*	—	1,946	2,579	706	311	53	198	—	—	5,793
	1,075	5,977	5,287	2,639	703	102	1,037	20	—	16,840
Year ended December 31, 2020										
Executive Directors										
Zhang Ruilin	—	1,481	1,724	1,794	261	17	468	—	—	5,745
Zhao Jiangwei	—	1,500	250	276	261	19	399	—	—	2,705
Non-Executive Director										
Xie Na *(Note (ii))*	—	—	—	—	—	—	—	—	—	—
Independent Non-executive Directors										
Mei Jianping	276	—	—	—	42	—	—	—	—	318
Jeffrey Willard Miller *(Note (ii))*	345	—	—	—	60	—	—	—	—	405
Guo Yanjun	276	—	—	—	—	—	—	—	—	276
Chief Executive Officer										
Mei Liming *(Note (v))*	—	1,250	2,298	597	497	3	33	—	—	4,678
	897	4,231	4,272	2,667	1,121	39	900	—	—	14,127
Year ended December 31, 2019										
Executive Directors										
Zhang Ruilin	—	3,500	4,137	366	575	24	467	—	—	9,069
Zhao Jiangwei	—	3,000	345	257	575	36	386	—	—	4,599
Wang Xiong *(Note (vii))*	—	—	—	—	—	—	—	—	—	—
Mei Liming *(Note (v))*	—	346	2,890	5	153	7	7	—	—	3,408
Non-Executive Directors										
Xie Na *(Note (ii))*	—	—	—	—	—	—	—	—	—	—
Jiao Qisen *(Note (vi))*	12	—	—	—	—	—	—	—	—	12
Independent Non-executive Directors										
Mei Jianping	276	—	—	—	92	—	—	—	9	377
Jeffrey Willard Miller *(Note (ii))*	345	—	—	—	132	—	—	—	9	486
Guo Yanjun	276	—	—	—	—	—	—	—	—	276
	909	6,846	7,372	628	1,527	67	860	—	18	18,227

(i) With effect from August 31, 2021, Mr. Wong Ka Wai was appointed as an executive director. Mr. Liu Ying Shun, Ms. So Tsz Kwan and Mr. Ai Min were appointed as independent non-executive directors.

(ii) Ms. Xie Na was appointed as a non-executive director with effect from November 13, 2015 and resigned with effect from October 28, 2021.

Mr. Guan Hongjun was appointed as a non-executive director with effect from October 28, 2021.

Mr. Jeffrey Willard Miller was appointed as an independent non-executive director with effect from November 27, 2010 and resigned with effect from August 31, 2021.

(iii) Mr. Cheng Ko Pang was appointed as a non-executive director with effect from August 31, 2021 and resigned with effect from December 31, 2021.

(iv) Mr. Feng Chong was appointed as a non-executive director with effect from December 31, 2021.

(v) Mr. Mei Liming was appointed as an executive director and the chief executive officer of the Company with effect from November 11, 2019 and resigned as an executive director with effect from June 18, 2020.

(vi) Mr. Jiao Qisen was appointed as a non-executive director with effect from January 29, 2018 and resigned with effect from January 16, 2019.

(vii) Mr. Wang Xiong was appointed with effect from August 9, 2019 and resigned with effect from November 11, 2019.

(b) Directors' retirement benefits

Employer's contribution to pension scheme of Mr. Zhang Ruilin for the years of 2019, 2020 and 2021 in respect of Mr. Zhang Ruilin's services as a director of the Company is RMB23,521, RMB16,557 and RMB14,927, respectively.

Employer's contribution to pension scheme of Mr. Zhao Jiangwei for the years of 2019, 2020 and 2021 in respect of Mr. Zhao Jiangwei's services as a director of the Company is RMB35,638, RMB18,987 and RMB34,127, respectively.

41. SUBSEQUENT EVENT

Significant events occurred subsequent to the year end and up to the date of approval of these financial statements are set out below:

(a) On January 20, 2022, the Group announced that it has entered into a Disposal Agreement with 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 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 abovementioned 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.

(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 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 hearing was held on April 12, 2022 for the Recognition Order, which was issued by the NY Bankruptcy Court on April 21, 2022.

Upon the Debt Restructuring Plans became effective on March 30, 2022, the effect of the revised terms of the New Finance Documents (Note 27) will be reflected in the consolidated financial statements for the year ending December 31, 2022, which primarily include (i) the derecognition of the Cross-Defaulted Borrowings and the 2022 Senior Notes and recognition of the new loans and new senior notes; (ii) the ordinary interests and fees payable and unpaid on the Cross-Defaulted Borrowings as at June 30, 2020 totalling approximately RMB357.1 million are capitalised into respective outstanding principal amount; and (iii) all the accrued penalty interests and the interests on the Cross-Defaulted Borrowings accrued from July 1, 2020 to March 30, 2022, totalling approximately RMB1,344.4 million are waived.

42. FINANCIAL INFORMATION FOR THE TARGET GROUP

The following is the financial information of PBV and its subsidiary (the "Target Group") for the years ended December 31, 2019, 2020 and 2021.

We, as the auditor of the Group, did not issue separate audit opinion on the consolidated financial information of the Target Group set forth below on a standalone basis.

(a) Consolidated statements of financial position for the Target Group

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	1,284,158	1,306,751	1,644,818
Right-of-use assets	3,431	3,771	9,397
Intangible assets	114,288	117,912	127,614
Restricted cash	11,480	9,803	10,088
Long term value added tax recoverable	6,580	6,734	14,074
Deferred income tax assets	49,881	72,538	8,673
	1,469,818	1,517,509	1,814,664
Current assets			
Inventories	7,418	7,798	9,221
Trade and other receivables	10,924	15,245	15,497
Short term value added tax recoverable	18,804	11,622	12,205
Other short-term asset	649	502	1,846
Cash and cash equivalents	67,473	13,071	23,438
	105,268	48,238	62,207
Total assets	1,575,086	1,565,747	1,876,871
Equity			
Ordinary shares	172	172	172
Accumulated losses	(1,086,467)	(961,652)	(659,431)
Other reserves	162,017	141,889	88,798
Total equity	(924,278)	(819,591)	(570,461)

	As at December 31,		
	2021	**2020**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	36,245	—	—
Asset retirement obligations	6,001	8,953	9,782
Trade and other payables	892,819	883,201	2,307,225
Lease liabilities	2,527	3,192	8,091
	937,592	895,346	2,325,098
Current liabilities			
Lease liabilities	560	588	1,130
Current income tax liabilities	4,393	4,691	5,986
Trade and other payables	1,533,770	1,484,713	115,118
Borrowings	23,049	—	—
	1,561,772	1,489,992	122,234
Total liabilities	2,499,364	2,385,338	2,447,332
Total equity and liabilities	1,575,086	1,565,747	1,876,871

(b) Consolidated statements of comprehensive income for the Target Group

	Year ended December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Revenue	234,123	130,601	284,383
Purchases, services and other direct costs	(79,932)	(96,133)	(96,254)
Employee benefit expenses	(12,597)	(14,083)	(14,921)
Depreciation, depletion and amortisation	(73,781)	(76,960)	(94,589)
Impairment losses on assets, net	(8,657)	(194,684)	(453,311)
Taxes other than income taxes	(76,783)	(36,505)	(92,699)
Other (losses)/gains, net	(4,175)	649	278
Interest income	8,356	29,851	8,518
Finance costs	(89,219)	(114,748)	(98,226)
Loss before income tax	(102,665)	(372,012)	(556,821)
Income tax (expense)/credit	(22,150)	69,791	73,522
Loss for the year	(124,815)	(302,221)	(483,299)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences	20,128	53,091	(7,051)
Other comprehensive income/(losses) for the year, net of tax	20,128	53,091	(7,051)
Total comprehensive losses for the year	(104,687)	(249,130)	(490,350)

(c) Consolidated statements of changes in equity for the Target Group

	Ordinary shares *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Total equity *RMB'000*
As at January 1, 2021	172	141,889	(961,652)	(819,591)
Comprehensive losses for the year				
Loss for the year	—	—	(124,815)	(124,815)
Currency translation differences	—	20,128	—	20,128
As at December 31, 2021	172	162,017	(1,086,467)	(924,278)
As at January 1, 2020	172	88,798	(659,431)	(570,461)
Comprehensive losses for the year				
Loss for the year	—	—	(302,221)	(302,221)
Currency translation differences	—	53,091	—	53,091
As at December 31, 2020	172	141,889	(961,652)	(819,591)
As at January 1, 2019	172	95,849	(176,132)	(80,111)
Comprehensive losses for the year				
Loss for the year	—	—	(483,299)	(483,299)
Currency translation differences	—	(7,051)	—	(7,051)
As at December 31, 2019	172	88,798	(659,431)	(570,461)

(d) Consolidated statements of cash flows for the Target Group

	Year ended December 31, 2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*
Cash flow from operating activities			
Cash generated from operations	16,729	11,815	77,137
Interest paid	(2,261)	—	(5,171)
Current income tax paid	(410)	(213)	(483)
Net cash inflow from operating activities	14,058	11,602	71,483
Cash flows from investing activities			
Payments for property, plant and equipment	(7,511)	—	(930)
Payments for intangible assets	—	(110)	—
Interest received	—	—	972
Payments for exploration costs	(2,975)	(20,060)	(26,962)
Payments for historical costs of the oilfield	(1,338)	(1,426)	(2,003)
(Increase)/decrease in restricted cash	(1,562)	—	796
Others	(204)	1,814	(1,814)
Net cash outflow from investing activities	(13,590)	(19,782)	(29,941)
Cash flows from financing activities			
Proceeds from borrowings	59,961	—	—
Repayment of borrowings	(3,224)	—	(68,944)
Payments of lease liability	(574)	(808)	(391)
Net cash inflow/(outflow) from financing activities	56,163	(808)	(69,335)
Net increase/(decrease) in cash and cash equivalents	56,631	(8,988)	(27,793)
Effects of exchange rate on cash and cash equivalents	(2,229)	(1,379)	448
Cash and cash equivalents at beginning of the financial year	13,071	23,438	50,783
Cash and cash equivalents at end of the year	67,473	13,071	23,438

(e) General information

Palaeontol B.V. ("PBV") is a limited liability company incorporated in the Netherlands. The address of its registered office is 4th Floor Twr A 411 Strawinskylaan, Amsterdam, Netherland. PBV is principally engaged in the exploration, development, production and sale of petroleum and other petroleum products located in the Republic of Kazakhstan through its wholly-owned subsidiary Emir-Oil LLP.

PBV is a private company and directly controlled by Reach Energy Berhad ("REB"). REB and the Group own 60% and 40% of PBV's shares, respectively.

Unless otherwise stated, the consolidated financial information of the Target Group is presented in Chinese Renminbi ("RMB").

(f) Basis of preparation

The consolidated financial information of PBV has been prepared in accordance with IFRS issued by the IASB. The consolidated financial information has been prepared under the historical cost convention.

In recent years, PBV's performance was significantly affected by the volatility of the price of crude oil and the finance costs attributable to shareholder loans. PBV incurred a net loss of RMB483.3 million, RMB302.2 million, RMB124.8 million for the years ended December 31, 2019, 2020 and 2021, respectively. As at December 31, 2021, PBV's current liabilities exceeded its current assets by RMB1,456.5 million and there was a deficit on the shareholders' funds of RMB924.3 million. As at the same date, PBV had total shareholders' loans from REB and the Group, split in proportion to their respective shareholdings, together with related interest payable, of RMB2,235.4 million; and bank borrowings of RMB59.3 million. Included in the current liabilities as at December 31, 2021 were (1) shareholders' loans with principal amounts of RMB331.5 million and RMB621.6 million, due on July 24, 2021 and on December 22, 2021 respectively, together with the related interest payables of RMB401.0 million; and (2) bank borrowings of RMB23.0 million. As at December 31, 2021, the amounts of the principals and the related outstanding interest mentioned in (1) were overdue and the shareholders were entitled to demand immediate repayment. PBV had bank balances of RMB79.0 million as at December 31, 2021, of which RMB11.5 million was restricted.

The above events and conditions indicate the existence of material uncertainties which may cast significant doubt regarding PBV's ability to continue as a going concern. In view of such circumstances, management of PBV has given careful consideration to the future liquidity and performance of PBV and its available sources of financing in assessing whether PBV 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.

(i) REB and the Group have executed supplementary agreements on April 20, 2022 to extend the repayment of the aforesaid shareholders' loans mentioned in (1) to April 30, 2023.

(ii) Management of PBV is seeking for additional financing from third party banks to finance the settlement of its existing financial obligations and future operating and capital expenditure. PBV has been granted a facility offer by a third party bank for the amount of US$25.7 million (equivalent to RMB163.9 million) (the ''Facility'') in January 2021, the drawdown of which is subject to certain conditions, including provision of certain collateral as well as meeting certain stipulated financial indicators.

(iii) PBV continues its ongoing effort to improve its operating cashflows through increased production, to finance the settlement of its existing financial obligations and future operating and capital expenditure.

The directors of PBV have reviewed PBV'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 abovementioned plans and measures, PBV 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 of PBV are satisfied that it is appropriate to prepare the consolidated financial information on a going concern basis.

Notwithstanding the extension of shareholders' loans and other matters mentioned above, material uncertainties still exist as to whether management of PBV will be able to achieve its plans and measures as described above. Whether PBV will be able to continue as a going concern will depend upon the following:

(1) PBV's ability to continually comply with the conditions of the shareholders' loan agreements;

(2) Successfully drawdown of the loan under the Facility from the third-party bank by fulfilling the required conditions; and

(3) PBV's ability to generate operation cashflows, with actual oil prices being consistent with the prices included the projected cash flows, to finance the PBV's oil exploration and production business, including capital expenditure needed to drill new wells, as well as other funding needs.

Should PBV fails to achieve the abovementioned 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 PBV'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 information as of December 31, 2021 and for the year then ended.

(g) Summary of significant accounting policies

The accounting policies applied in the preparation of this consolidated financial information are consistent with those used in the preparation of the financial information of the Group.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group (the "**Unaudited Pro Forma Financial Information**"), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposal as if it had taken place on December 31, 2021 for the unaudited pro forma consolidated statement of financial position and January 1, 2021 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial results or cash flows of the Remaining Group had the Transaction been completed as at December 31, 2021 for the financial position or January 1, 2021 for the financial results and cash flows or at any future date.

Unaudited pro forma consolidated statement of financial position

	Consolidated statement of financial position of the Group as at December 31, 2021 (Audited)	Pro forma adjustments		Pro forma consolidated statement of financial position of the Remaining Group as at December 31, 2021 (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1 (a))	*(Note 2 (a))*	*(Note 2 (b))*	
Assets				
Non-current assets				
Property, plant and equipment	1,573,534			1,573,534
Intangible assets	54,121			54,121
Right-of-use assets	6,215			6,215
Financial assets at fair value through other comprehensive income	15,498			15,498
Prepayments, deposits and other receivables	1,847			1,847
Restricted cash	17,831			17,831
	1,669,046			1,669,046
Current assets				
Inventories	19,466			19,466
Prepayments, deposits and other receivables	40,439			40,439
Trade receivables	85,132			85,132
Restricted cash	63,761			63,761
Cash and cash equivalents	36,495			36,495
	245,293			245,293
Assets of disposal group classified as held for sale	350,356	(350,356)		—
	595,649	(350,356)		245,293
Total assets	2,264,695	(350,356)		1,914,339

	Consolidated statement of financial position of the Group as at December 31, 2021 (Audited)	Pro forma adjustments		Pro forma consolidated statement of financial position of the Remaining Group as at December 31, 2021 (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1 (a))	*(Note 2 (a))*	*(Note 2 (b))*	
Equity				
Equity attributable to owners of the Company				
Share capital	1,101,249			1,101,249
Other reserves	371,053			371,053
Accumulated losses	(5,445,007)		(2,880)	(5,447,887)
Total shareholders' deficit	(3,972,705)		(2,880)	(3,975,585)
Liabilities				
Non-current liabilities				
Lease liabilities	1,604			1,604
Deferred income tax liabilities	282,399			282,399
Trade and notes payables	120,432			120,432
Provisions, accruals and other liabilities	110,660			110,660
	515,095			515,095
Current liabilities				
Trade and notes payables	374,070			374,070
Provisions, accruals and other liabilities	1,724,765		5,042	1,729,807
Lease liabilities	4,822			4,822
Current income tax liabilities	19,320			19,320
Borrowings	3,597,474		(350,664)	3,246,810
	5,720,451		(345,622)	5,374,829
Liabilities of disposal group classified as held for sale	1,854	(1,854)		—
	5,722,305	(1,854)	(345,622)	5,374,829
Total liabilities	6,237,400	(1,854)	(345,622)	5,889,924
Total shareholders' deficit and liabilities	2,264,695	(1,854)	(348,502)	1,914,339

Unaudited pro forma consolidated statement of comprehensive income

	Consolidated statement of comprehensive income of the Group for the year ended December 31, 2021 (Audited)	Pro forma adjustments			Consolidated statement of comprehensive income of the Remaining Group for the year ended December 31, 2021 (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1 (b))	*(Note 3 (a))*	*(Note 3 (b))*	*(Note 3 (b))*	
Revenue from contracts with customers	1,017,835				1,017,835
Depreciation, depletion and amortisation	(263,924)				(263,924)
Taxes other than income taxes	(17,639)				(17,639)
Employee benefit expenses	(101,870)				(101,870)
Purchases, services and other direct costs	(262,799)				(262,799)
Net impairment losses on financial assets	(17,732)	17,732			—
Reversal of impairment losses on assets	183,713				183,713
Other gains, net	9,105		(5,106)	1,245	5,244
Interest income	17,773	(17,732)			41
Finance costs	(802,887)				(802,887)
Loss before income tax	(238,425)		(5,106)	1,245	(242,286)
Income tax expense	(99,936)				(99,936)
Loss attributable to owners of the Company for the year	(338,361)		(5,106)	1,245	(342,222)

	Consolidated statement of comprehensive income of the Group for the year ended December 31, 2021 (Audited)	Pro forma adjustments			Consolidated statement of comprehensive income of the Remaining Group for the year ended December 31, 2021 (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1 (b))	*(Note 3 (a))*	*(Note 3 (b))*	*(Note 3 (b))*	
Other comprehensive income					
Items that may be reclassified to profit or loss					
Currency translation differences	55,477				55,477
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				7,925
Currency translation differences	70,398				70,398
Other comprehensive income for the year, net of tax	133,800				133,800
Total comprehensive losses attributable to the owners of the Company for the year	(204,561)		(5,106)	1,245	(208,422)

Unaudited pro forma consolidated statement of cash flows

	Consolidated statement of cash flows of the Group for the year ended December 31, 2021 (Audited)	Pro forma adjustments	Pro forma consolidated statement of cash flows of the Remaining Group for the year ended December 31, 2021 (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*
	(Note 1 (b))	*(Note 3 (b))*	
Cash flows from operating activities			
Cash generated from operations	572,524		572,524
Interest paid	(71,061)		(71,061)
Income taxes paid	(11,531)		(11,531)
Net cash inflow from operating activities	489,932		489,932
Cash flows from investing activities			
Payments for property, plant and equipment	(450,915)		(450,915)
Payment for the acquisition of foreign contractor's participating interests in the PRC in the prior years	(12,865)		(12,865)
Payments for costs and expenses directly incurred for the Disposal	—	(5,106)	(5,106)
Net cash outflow from investing activities	(463,780)	(5,106)	(468,886)
Cash flows from financing activities			
Payment of lease liability	(8,735)		(8,735)
Net cash outflow from financing activities	(8,735)		(8,735)
Net increase in cash and cash equivalents	17,417	(5,106)	12,311
Cash and cash equivalents at beginning of the financial year	20,353		20,353
Effects of exchange rate on cash and cash equivalents	(1,275)		(1,275)
Cash and cash equivalents at end of the year	36,495	(5,106)	31,389

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. (a) The amounts are extracted from the consolidated statement of financial position of the Group as at December 31, 2021 as set out in the published 2021 annual report of the Group.

   (b) The amounts are extracted from the consolidated statements of comprehensive income and cash flows of the Group for the year ended December 31, 2021 as set out in the published 2021 annual report of the Group.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposal had taken place on December 31, 2021:

   (a) The adjustments represent the de-recognition of assets and liabilities of Disposal Assets Group classified as held for sale and extracted from the consolidated statement of financial position of the Group set out in Appendix II to this Circular.

   (b) The adjustments represent the estimated loss on disposal assuming the Disposal had taken place on December 31, 2021 and is calculated as follows:

		RMB'000
Consideration	*Note (i)*	350,664
Carrying amount of the assets listed as held for sale attributable to the Group as at December 31, 2021	*Note (ii)*	(350,356)
Carrying amount of the liabilities listed as held for sale attributable to the Group as at December 31, 2021	*Note (iii)*	1,854
		2,162
Less: estimated costs and expenses directly incurred for the Disposal	*Note (iv)*	(5,042)
Estimated loss on disposal	*Note (v)*	(2,880)

Notes:

(i) There is no adjustment to the Consideration (the aggregate amount of USD55.0 million to be netted off against the outstanding borrowings of the Group) as mentioned in the sub-section headed "Consideration and payment" of the letter from the Board in this Circular. For the purpose of the unaudited pro forma consolidated statement of financial position, the amount denominated in USD has been translated into RMB at USD1=RMB6.3757, being the exchange rates prevailing as at December 31, 2021.

(ii) The amount represents the assets classified as held for sale attributable to the Group which is extracted from the consolidated financial information of the Group as set out in Appendix II to this Circular, particularly referring to the shareholder loans due from PBV and other receivables from the other shareholders of PBV to the Group with a carrying value of RMB350.4 million as at December 31, 2021.

(iii) The amount represents the liabilities classified as held for sale attributable to the Group which is extracted from the consolidated financial information of the Group as set out in Appendix II to this Circular, particularly referring to the provisions, accruals and other liabilities amounting to RMB1.9 million as at December 31, 2021.

(iv) The estimated costs and expenses directly incurred for the Disposal amounting to RMB5.0 million include the accountant's, valuer's, printer's and lawyers' remunerations and other transaction fees and taxes (the amount denominated in USD has been translated into RMB at USD1=RMB6.3757), and will be borne by the Group and result in an increase on the provisions, accruals and other liabilities.

(v) This Unaudited Pro Forma Financial Information has not taken into account any interest or other expense incurred by the Disposal Assets Group subsequent to December 31, 2021 and up to Completion Date to be borne by the Remaining Group. The actual loss on disposal will increase taking into account these expenses.

(c) Apart from notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2021 for the purpose of preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Disposal had taken place on January 1, 2021:

(a) The adjustments represent the exclusion of the results of the Group originating from the Disposal Assets Group for the year ended December 31, 2021, assuming the Disposal had taken place on January 1, 2021. The statements of comprehensive income and cash flows of the Group are extracted from the consolidated financial statements of comprehensive income and cash flows of the Group set out in Appendix II to this Circular.

(b) The adjustments represent the estimated loss on disposal assuming the Disposal had taken place on January 1, 2021 and is calculated as follows:

		RMB'000
Consideration	*Note (i)*	358,870
Carrying amount of the assets listed as held for sale attributable to the Group as at January 1, 2021	*Note (ii)*	(360,121)
Carrying amount of the liabilities listed as held for sale attributable to the Group as at January 1, 2021	*Note (iii)*	2,496
		1,245
Less: estimated costs and expenses directly incurred for the Disposal	*Note (iv)*	(5,106)
Estimated loss on disposal	*Note (v)*	(3,861)

Notes:

(i) There is no adjustment to the Consideration (the aggregate amount of USD55.0 million to be netted off against the outstanding borrowings of the Group) as mentioned in the sub-section headed "Consideration and payment" of the letter from the Board in this Circular. For the purpose of the unaudited pro forma consolidated statements of comprehensive income and cash flows, the amount denominated in USD has been translated into RMB at USD1=RMB6.5249, being the exchange rates prevailing as at January 1, 2021.

(ii) The amount represents the assets classified as held for sale attributable to the Group, particularly referring to the shareholder loans due from PBV and other receivables due from the other shareholders of PBV to the Group with a carrying value of RMB360.1 million as at January 1, 2021.

(iii) The amount represents the liabilities classified as held for sale attributable to the Group, particularly referring to the provisions, accruals and other liabilities amounting to RMB2.5 million as at January 1, 2021.

(iv) The estimated costs and expenses directly incurred for the Disposal amounting to RMB5.1 million include the accountant's, valuer's, printer's and lawyers' remunerations and other transaction fees and taxes (the amount denominated in USD has been translated into RMB at USD1=RMB6.5249), and will be borne by the Group and are assumed to be settled in cash during year 2021.

(v) This Unaudited Pro Forma Financial Information has not taken into account any interest or other expense incurred by the Disposal Assets Group subsequent to January 1, 2021 and up to Completion Date to be borne by the Remaining Group. The actual loss on disposal will increase taking into account these expenses.

(c) Apart from notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to January 1, 2021 for the purpose of preparation of the unaudited pro forma consolidated statements of comprehensive income and cash flows of the Remaining Group.

(d) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group.

4. Since the assets and liabilities' value of the Disposal Assets Group at the closing date of the Disposal may be different from the amounts used in the Unaudited Pro Forma Financial Information, the actual loss on the Disposal may be different from the amounts presented above.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report on the unaudited pro forma financial information of the Remaining Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of MIE Holdings Corporation

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of MIE Holdings Corporation (the "**Company**") and its subsidiaries (collectively the "**Group**") excluding 1) the 40% equity interest in Palaeontol B.V. ("**PBV**"); 2) shareholder loan receivables from PBV; and 3) other receivables from the other shareholder of PBV (collectively referred to as the "**Disposal Assets Group**"), by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at December 31, 2021, the unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2021 and the unaudited pro forma consolidated statement of cash flows for the year ended December 31, 2021, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-9 of the Company's circular dated June 6, 2022, in connection with the proposed disposal of the Disposal Assets Group (the "**Transaction**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-9 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at December 31, 2021 and the Group's financial performance and cash flows for the year ended December 31, 2021 as if the Transaction had taken place at December 31, 2021 and January 1, 2021 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended December 31, 2021, on which an audit report has been published.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at December 31, 2021 or January 1, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, June 6, 2022

Gaffney Cline

Gaffney, Cline & Associates
(Consultants) Pte. Ltd.
150 Beach Road
#20-01/02 Gateway West
Singapore 189720

Tel: +65 6225 6951

UEN: 198701453N

COMPETENT PERSON'S REPORT OF THE EMIR-OIL CONCESSION IN KAZAKHSTAN AS OF 31 DECEMBER 2021

INTRODUCTION

At the request of MIE Holdings Corporation (MIEH or ''the Client''), Gaffney, Cline & Associates (GaffneyCline) has performed an assessment of the Reserves of the Emir Block, located in Kazakhstan, as of an Effective Date of 31 December 2021. This request was in accordance with the GaffneyCline Proposal for Services reference **YDH/mlt/PS-21-2015/L0142**, dated 13 October 2021 and the work extension Engagement Letter **YDH/mlt/PS-21-2015/L0002**, dated 7 January 2022.

Emir Block was originally and is currently operated by Emir Oil LLP (Emir Oil), an oil and gas operator in Western Kazakhstan. Emir Oil was initially assigned the contract for exploration of the Aksaz, Dolinnoe and Emir Fields (the ''ADE Block'') by the Kazakhstan government in September 2002. BMB Munai Inc. (BMB) purchased a 70% interest in Emir Oil in June 2003 and 30% in May 2004. Then the license was extended twice in 2004 and 2008.

MIEH purchased the wholly owned Emir Oil from BMB in September 2011. In November 2016 MIEH sold 60% equity interest in PBV (a wholly-owned subsidiary of Palaeontol Coöperatief U.A. which in turn is an indirect wholly-owned subsidiary of MIEH) and transferred the operatorship of the Emir Oil to Malaysia's Reach Energy Berhad (REB). So MIEH and REB are joint holders of Palaeontol B.V., 100% owner of Emir Oil, based in Aktau, Kazakhstan.

This Competent Person's Report (CPR) is at MIEH's request for a potential farm-out of MIEH.

GaffneyCline's original assessment as of 30 September 2021 was conducted on the basis of a data set of technical information made available to GaffneyCline by MIEH through September 2021, including details of licence interests and agreements, interpretations and technical reports, historical production and engineering data, cost and commercial data, and development plans as of the Effective Date. In preparing this report, GaffneyCline has relied on the accuracy and completeness of these data. Then GaffneyCline updated its assessment as of 31 December 2021 by incorporating the 4Q2021 production performance and the updated operation plan provided by Emir Oil.

The detailed data that was provided by MIEH are summarised below:

- E&P contracts (scanned copy of original contracts)
- Petrel model: Aksaz, Dolinnoe-Yessen, Kariman & NK
- Net pay and net oil/gas maps (MIEH's interpretation): Aksaz, Dolinnoe-Yessen, Kariman & NK
- Previous years third party reports: YE2019, YE2020
- Daily well data from 2005 to 2021, including operations and productions, etc.
- Production data update by field by well by month
- Gas and water injection study_2020 (Kariman) and Gas inject profiles etc.
- Cost and sales data (CAPEX/OPEX and sales contracts and invoices, etc.)
- New well drilling and workover plans

GaffneyCline has utilized a performance-based methodology to estimate the volumes for the Reserves of the Emir Oil assets. These estimates have been benchmarked against volumetric estimates. Reserves are attributed to five producing fields: Kariman (including North Kariman), Dolinnoe, Emir, Yessen and Aksaz. Contingent Resources assessments were not part of the current project work scope, therefore GaffneyCline has reported the same resources base as reported previously[1]. Cumulative production from the Emir Oil assets up to 31 December 2021 is shown in **Table 1.** Total production from the Emir Block in 2021 was 0.71 MMBbl oil and 1.19 Bcf of gas.

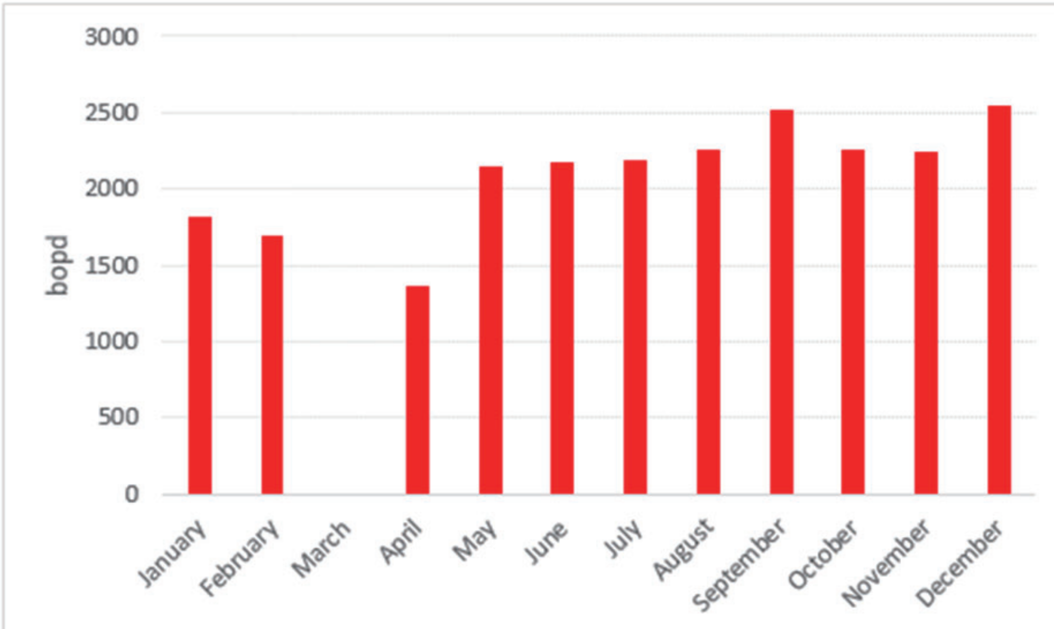
Table 1: Emir Block — Cumulative Production as of 31 December 2021

Field	**Cumulative Oil Production (MMBbl)**	**Cumulative Gas Production (Bscf)**
Kariman	12.24	5.84
Dolinnoe	2.79	7.85
Emir	0.03	0.00
Yessen	0.11	0.03
Aksaz	1.13	9.37
TOTAL	16.30	23.09

Oil production from January to December 2021 is shown in **Figure 1** below.

[1] Reserves and Resources, Emir Block, Kazakhstan as of 31 December 2020, Reach Energy Berhad, March 2021

Figure 1: 2021 Daily Oil Production combined for all fields



This CPR relates specifically and solely to the subject matter as defined in the scope of work, as set out herein, and is conditional upon the specified assumptions. The CPR must be considered in its entirety and must only be used for the purpose for which it is intended.

A glossary of abbreviations used in this report is contained in **Appendix I**.

BASIS OF OPINION

This document reflects GaffneyCline's informed professional judgment based on accepted standards of professional investigation and, as applicable, the data and information provided by MIEH, the limited scope of engagement, and the time permitted to conduct the evaluation.

In line with those accepted standards, this document does not in any way constitute or make a guarantee or prediction of results, and no warranty is implied or expressed that actual outcome will conform to the outcomes presented herein. GaffneyCline has not independently verified any information provided by MIEH and has accepted the accuracy and completeness of this data. GaffneyCline has no reason to believe that any material facts have been withheld, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose.

The opinions expressed herein are subject to and fully qualified by the generally accepted uncertainties associated with the interpretation of geoscience and engineering data and do not reflect the totality of circumstances, scenarios and information that could potentially affect decisions made by the report's recipients and/or actual results. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

In the preparation of this report, GaffneyCline has used definitions contained within the updated version of the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the Society of Petrophysicists and Well Log Analysts, and the European Association of Geoscientists and Engineers in June 2018. An abbreviated form of the PRMS definitions and guidelines is given in **Appendix II**.

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cashflows. Oil and gas resources assessments must be recognized as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. Estimates of oil and gas resources prepared by other parties may differ, perhaps materially, from those contained within this report.

The accuracy of any resource estimate is a function of the quality of the available data and of engineering and geological interpretation. Results of drilling, testing and production that post- date the preparation of the estimates may justify revisions, some or all of which may be material. Accordingly, resource estimates are often different from the quantities of oil and gas that are ultimately recovered, and the timing and cost of those volumes that are recovered may vary from that assumed.

Oil and condensate volumes are reported in millions (10^6) of barrels (MMBbl) at stock tank conditions. Natural gas volumes have been quoted in billions (10^9) of standard cubic feet (Bscf) and are volumes of sales gas, after an allocation has been made for fuel and process shrinkage losses. Standard conditions are defined as 14.7 psia and 60°F.

GaffneyCline prepared an independent assessment of the reserves and resources based on data and interpretations provided by the Client.

Definition of Reserves and Resources

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: discovered, recoverable, commercial and remaining (as of the evaluation's effective date) based on the development project(s) applied.

Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status. All categories of reserves volumes quoted herein have been derived within the context of an economic limit test (ELT) assessment (pre-tax and exclusive of accumulated depreciation amounts) prior to any net present value (NPV) analysis

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, where commercial recovery is dependent on technology under development, where evaluation of the accumulation is insufficient to clearly assess commerciality, where the development plan is not yet approved, or where regulatory or social issues may exist. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status.

It must be appreciated that the Contingent Resources reported herein are unrisked in terms of economic uncertainty and commerciality. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources. Once discovered, the chance that the accumulation will be commercially developed is referred to as the ''chance of development''.

Prospective Resources are those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Potential accumulations are evaluated according to the chance of geologic discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.

There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. Prospective Resource volumes are presented as unrisked.

GaffneyCline has not undertaken a site visit and inspection because it was not necessary and not required within the scope of work. As such, GaffneyCline is not in a position to comment on the operations or facilities in place, their appropriateness and condition, or whether they are in compliance with the regulations pertaining to such operations. Further, GaffneyCline is not in a position to comment on any aspect of health, safety, or environment of such operation.

This report has been prepared based on GaffneyCline's understanding of the effects of petroleum legislation and other regulations that currently apply to these properties.

GaffneyCline is not aware of any carbon pricing impost that is applicable to the evaluation of the assets that are the subject of this report. GaffneyCline has also not included the impact of any potential carbon pricing scheme that may be implemented in the future.

GaffneyCline is not in a position to attest to property title or rights, conditions of these rights (including environmental and abandonment obligations), or any necessary licenses and consents (including planning permission, financial interest relationships, or encumbrances thereon for any part of the appraised properties).

GaffneyCline is not aware of any potential changes in regulations applicable to these fields that could affect the ability of the Client to produce the estimated reserves.

Use of Net Present Values

It should be clearly understood that the Net Present Values (NPVs) contained herein do not represent a GaffneyCline opinion as to the market value of the subject property, nor any interest in it.

In assessing a likely market value, it would be necessary to take into account a number of additional factors including reserves risk (i.e., that Proved and/or Probable and/or Possible reserves may not be realised within the anticipated timeframe for their exploitation); perceptions of economic and sovereign risk, including potential change in regulations; potential upside; other benefits, encumbrances or charges that may pertain to a particular interest; and, the competitive state of the market at the time. GaffneyCline has explicitly not taken such factors into account in deriving the NPVs presented herein.

Qualifications

In performing this study, GaffneyCline is not aware that any conflict of interest has existed. As an independent consultancy, GaffneyCline is providing impartial technical, commercial, and strategic advice within the energy sector. GaffneyCline's remuneration was not in any way contingent on the contents of this report.

In the preparation of this document, GaffneyCline has maintained, and continues to maintain, a strict independent consultant-client relationship with MIEH. Furthermore, the management and employees of GaffneyCline have no interest in any of the assets evaluated or related with the analysis performed, as part of this report.

Staff members who prepared this report hold appropriate professional and educational qualifications and have the necessary levels of experience and expertise to perform the work.

EXECUTIVE SUMMARY

GaffneyCline has prepared an independent assessment of the Reserves of MIEH's Emir Block in Kazakhstan based on data and interpretations provided by MIEH. Reserves are attributed to five producing fields: Kariman (including North Kariman), Dolinnoe, Emir, Yessen and Aksaz. Contingent Resources assessments were not part of the current project work scope, therefore GaffneyCline has reported the same resources base as reported previously[2].

A summary of the oil, gas and LPG Reserves in the Emir Block as of 31 December 2021 is shown in **Table 2**. **Table 3** shows a breakdown of the gross field Reserves by field. GaffneyCline has included the benefit of the gas injection in the T2 reservoirs at Kariman (only for Blocks 1–3 and 5) for 2P and 3P reserves.

The Pre-tax Net Present Values (NPVs) as of 31 December 2021 attributable to MIEH's Net Reserves are summarised in **Table 4**.

---

[2] Reserves and Resources, Emir Block, Kazakhstan as of 31 December 2020, Reach Energy Berhad, March 2021

A summary of oil and gas Contingent Resource in the Emir Block as of 31 December 2021 is shown in **Table 5**. Contingent Resources are attributed to increased recovery in Block 6 in the T2 reservoir in the Kariman Field, other potential improved oil recovery projects and development of some secondary reservoirs in the producing fields. It is noted that no water injection project in Block 4 and 7 will be carried out; and the upgrading of Central Processing Facility (CPF) Phase 1 has been postponed to 2023. GaffneyCline opines that Contingent Resources from Block 6 at Kariman Field can be re-classified as reserves once gas injection program is implemented.

Table 2: Summary of Reserves, Emir Block, as of 31 December 2021
(a) Oil + Condensate (MMBbl)

Category	Status	Gross Field (100%)	Net to MIEH (40%)
Proved	DP	3.52	1.41
	DNP	1.91	0.76
	UD	8.55	3.42
	Total	**13.98**	**5.59**
Proved plus Probable	2PDP	6.40	2.56
	2PDNP	3.76	1.51
	2PUD	34.01	13.60
	Total	**44.17**	**17.67**
Proved plus Probable plus Possible	**Total**	**72.86**	**29.15**

(b) Sales Gas (Bscf)

Category	Status	Gross Field (100%)	Net to MIEH (40%)
Proved	DP	7.44	2.97
	DNP	4.88	1.95
	UD	10.77	4.31
	Total	**23.09**	**9.23**
Proved plus Probable	2PDP	10.55	4.22
	2PDNP	9.36	3.74
	2PUD	50.18	20.07
	Total	**70.09**	**28.04**
Proved plus Probable plus Possible	**Total**	**109.25**	**43.70**

(c) LPG (MMBbl)

Category	Status	Gross Field (100%)	Net to MIEH (40%)
Proved	DP	0.21	0.09
	DNP	0.16	0.06
	UD	0.42	0.17
	Total	**0.79**	**0.32**
Proved plus Probable	2PDP	0.44	0.18
	2PDNP	0.39	0.16
	2PUD	2.36	0.94
	Total	**3.20**	**1.28**
Proved plus Probable plus Possible	**Total**	**5.50**	**2.20**

Notes to above Tables 2 (a), (b), (c):

1. Gross Field Reserves are 100% of the volumes estimated to be commercially recoverable from the asset under the intended development plan.

2. Net to MIEH are 40% of the Gross Field Reserves.

3. Net Reserves exclude volumes consumed in operations (CiO, or fuel).

4. DP = Developed Producing; DNP = Developed Non-Producing; UD = Undeveloped.

5. 2PDP = Proved plus Probable Developed Producing; 2PDNP = Proved plus Probable Developed Non-Producing; 2PUD = Proved plus Probable Undeveloped.

6. The above Reserves include production through to the end of the relevant concessions only.

7. Totals may not exactly equal the sum of the individual entries because of rounding.

Table 3: Breakdown of Gross Field Reserves by Field as of 31 December 2021

Field	Status	Units	Proved				Proved+ Probable		Proved+ Probable+ Possible
			DP	DNP	UD	Total	DP	Total	
Kariman	Oil	MMBbl	2.93	1.12	7.89	11.94	5.32	40.55	67.26
	LPG	MMBbl	0.12	0.03	0.30	0.45	0.20	2.40	4.06
	Gas	Bscf	4.04	1.15	7.91	13.10	4.32	50.90	79.02
Dolinnoe	Oil	MMBbl	0.52	0.36	0.50	1.37	0.97	2.69	4.32
	LPG	MMBbl	0.08	0.07	0.12	0.27	0.22	0.65	1.17
	Gas	Bscf	2.92	2.09	2.85	7.86	5.58	15.56	24.42
Emir	Oil	MMBbl	—	0.03	—	0.03	—	0.07	0.14
	LPG	MMBbl	—	0.00	—	0.00	—	0.00	0.00
	Gas	Bscf	—	0.00	—	0.00	—	0.01	0.01
Yessen	Oil	MMBbl	0.02	0.17	0.16	0.35	0.03	0.41	0.48
	LPG	MMBbl	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Gas	Bscf	0.00	0.01	0.01	0.01	0.00	0.02	0.02
Akzas	Oil	MMBbl	0.06	0.22	—	0.28	0.08	0.44	0.67
	LPG	MMBbl	0.01	0.06	—	0.07	0.02	0.15	0.27
	Gas	Bscf	0.47	1.64	—	2.11	0.65	3.61	5.78
Total	**Oil**	**MMBbl**	**3.52**	**1.91**	**8.55**	**13.98**	**6.40**	**44.17**	**72.86**
	LPG	**MMBbl**	**0.21**	**0.16**	**0.42**	**0.79**	**0.44**	**3.20**	**5.50**
	Gas	**Bscf**	**7.44**	**4.88**	**10.77**	**23.09**	**10.55**	**70.09**	**109.25**

Notes:

1. Gross Field Reserves are 100% of the volumes estimated to be commercially recoverable from the asset under the intended development plan.

2. Net Reserves exclude volumes consumed in operations (CiO, or fuel).

3. DP = Developed Producing; DNP = Developed Non-Producing; UD = Undeveloped.

4. The above Reserves include production through to the end of the relevant concessions only.

5. Totals may not exactly equal the sum of the individual entries because of rounding.

6. A more detailed version of this table (showing the 2P-DP/DNP/UD breakdown) is shown in **Appendix III.**

Table 4: Pre-Tax Net Present Value of Emir Block Reserves as of 31 December 2021 Attributable to MIEH 40% Working Interests

Discount Rate	1PDP *(US$ MM)*	1P *(US$ MM)*	2PDP *(US$ MM)*	2P *(US$ MM)*	3P *(US$ MM)*
0%	15	60	24	409	846
5%	14	45	22	280	540
10%	13	35	20	205	377
15%	12	27	18	157	280

Notes:

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the assets.

2. The NPVs reported do not represent an opinion as to the market value of a property or any interest therein.

3. The NPVs reported do not reflect any contribution from Contingent Resources.

4. Totals may not exactly equal the sum of the individual entries because of rounding.

Table 5: Summary of Contingent Resources, Emir Block as of 31 December 2021

	Gross Field (100%)			Net to MIEH (40%)		
Fluid	**1C**	**2C**	**3C**	**1C**	**2C**	**3C**
Oil (MMBbl)	4.1	16.1	37.9	1.6	6.5	15.1
Gas (Bscf)	9.5	29.2	58.2	3.8	11.7	23.3

Notes:

1. The Contingent Resources include the potential further benefit of the water/gas injection project in Kariman and to the potential development of secondary reservoirs in other fields.

2. Gross Field Contingent Resources are 100% of the volumes estimated to be technically recoverable from the asset in the event that the potential development projects go ahead.

3. Net to MIEH are 40% of the Gross Field Contingent Resources.

4. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the related projects may not go ahead in the form envisaged or not at all (i.e. no "Chance of Development" factor has been applied).

5. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

6. Totals may not exactly equal the sum of the individual entries because of rounding.

DISCUSSION

1 Introduction

The Emir Block is located onshore in the Mangyshlak Basin in western Kazakhstan approximately 35 km east of the Caspian Sea port of Aktau and approximately 12 km northwest of the giant Zhetybay Field **(Figure 2)**. The initial block area was 200 km^2 and the license was extended twice in 2004 and 2008. The total area for Emir Block is currently approximately 850 km^2 and MIEH holds 40% interest. The current production permit was issued in December 2011 with a production term of a total of 25 years. The remaining 60% is held by Reach Energy Berhad.

The Emir Block consists of several discovered oil fields and prospects. The area includes six Production Contract Areas, namely Kariman and North Kariman oil field production contracts, Dolinnoe oil field production contract, Aksaz gas-condensate field production contract, Emir oil field production contract and Yessen oil field production contract. The discovered fields in the area are Emir, Kariman (including North Kariman), Dolinnoe, Aksaz, Borly and Yessen. Several prospects have been identified from various studies conducted by Reach Energy Berhad. The key prospects portfolio includes East Saura, North Aidai, Tanibergen, Kariman Extension, Emir Extension, Aksaz Extension, Dolinnoe Extension, ALA_G and Emir (Downdip). **Figure 3** illustrates the discoveries and prospects within the Emir Block.

The Aksaz gas field was discovered in 1995 and began production in 2005. A total of eight wells have been drilled in the field, of which three are producing and five are shut-in. Current production is approximately 50 bpd of condensate, and the cumulative condensate production as of 30 September 2021 is 1.4 MMBbl.

Figure 2: Emir Block Location

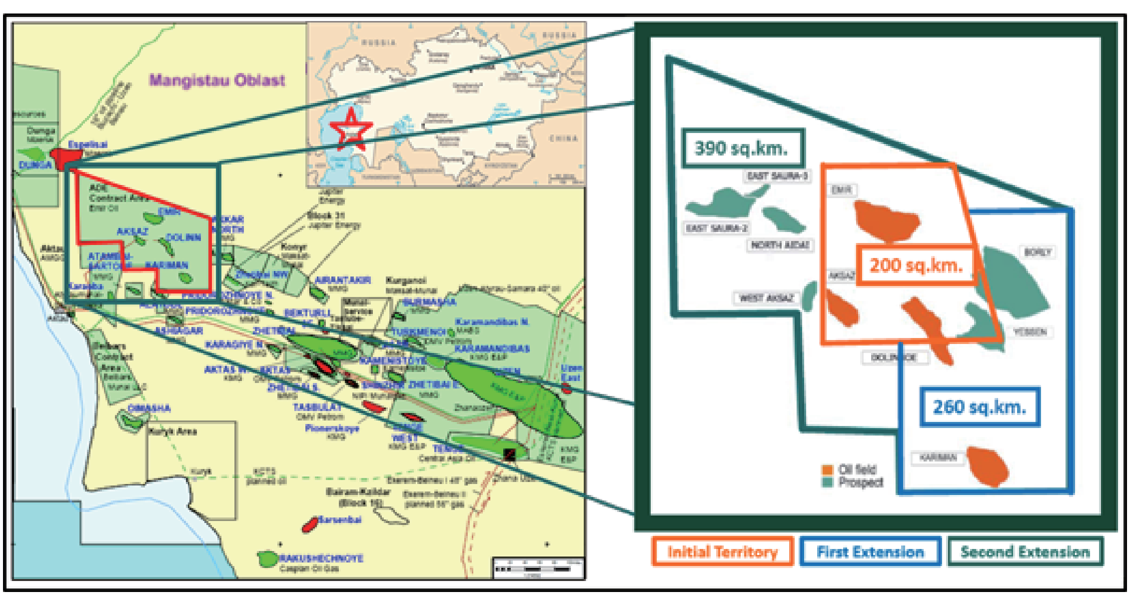
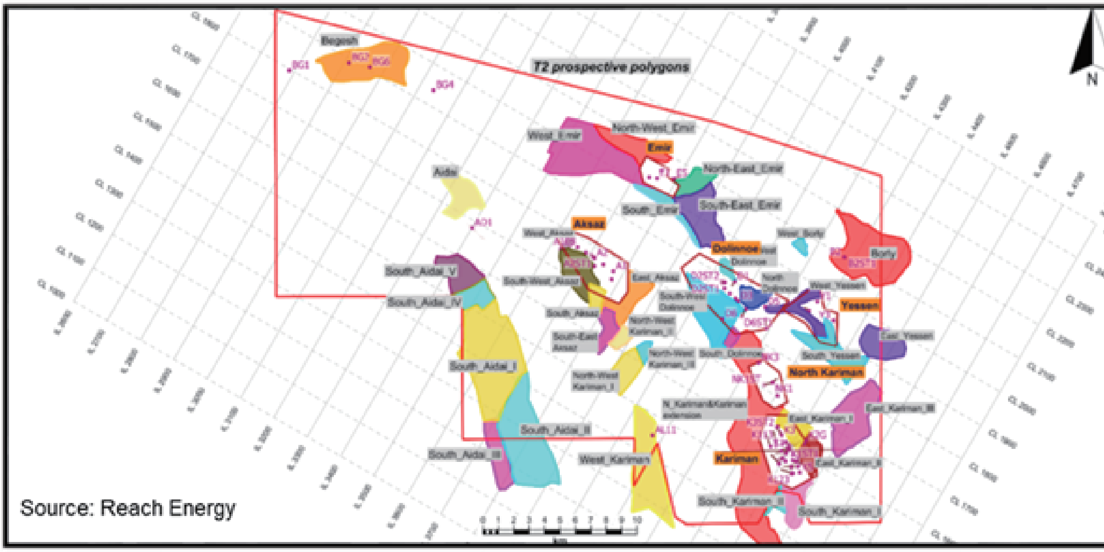


Figure 3: Discoveries and Prospects in Emir Block



The Dolinnoe Field was discovered in 1994 and began production in 2004. A total of eleven wells have been drilled in the field, with five wells producing and six suspended. Current production is approximately 300 bopd, and the cumulative oil production as of 30 September 2021 is 2.76 MMBbl.

The Emir oil field was discovered in 1996 and put into production in 2004. Four wells have been drilled, all currently shut-in. The cumulative oil production as of 30 September 2021, is 0.03 MMBbl.

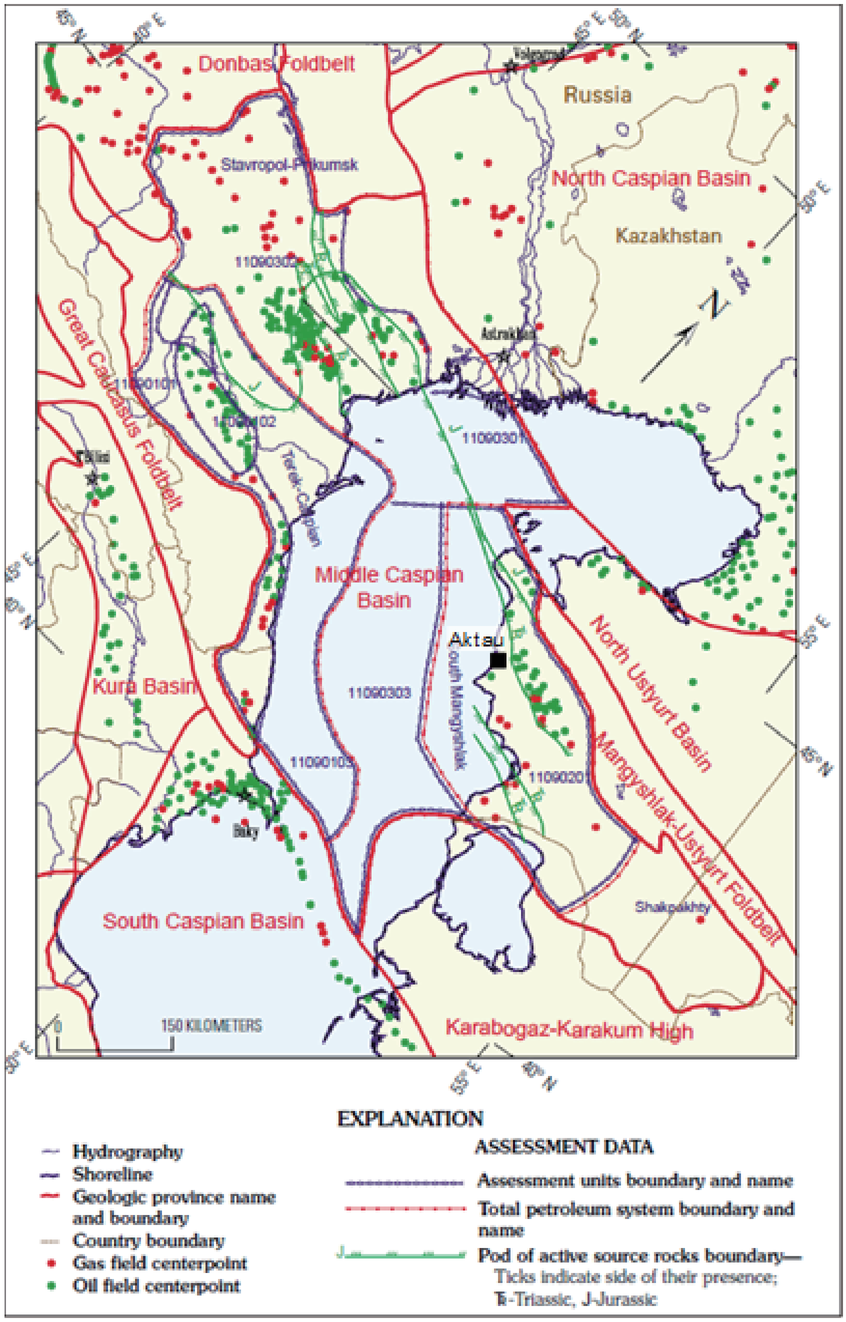
The Kariman oil field was discovered in 2006 and began production in March 2007. A total of 28 wells have been drilled in the field of which nineteen are currently on production and nine shut-in. Current production is approximately 1,620 bopd, and the cumulative oil production as of 30 September 2021 is 12.1 MMBbl.

The Yessen oil field is currently producing from one well and three other wells are shut in. It has produced about 0.11 MMBbl, and the Borly oil field is undeveloped.

2 Regional Geology

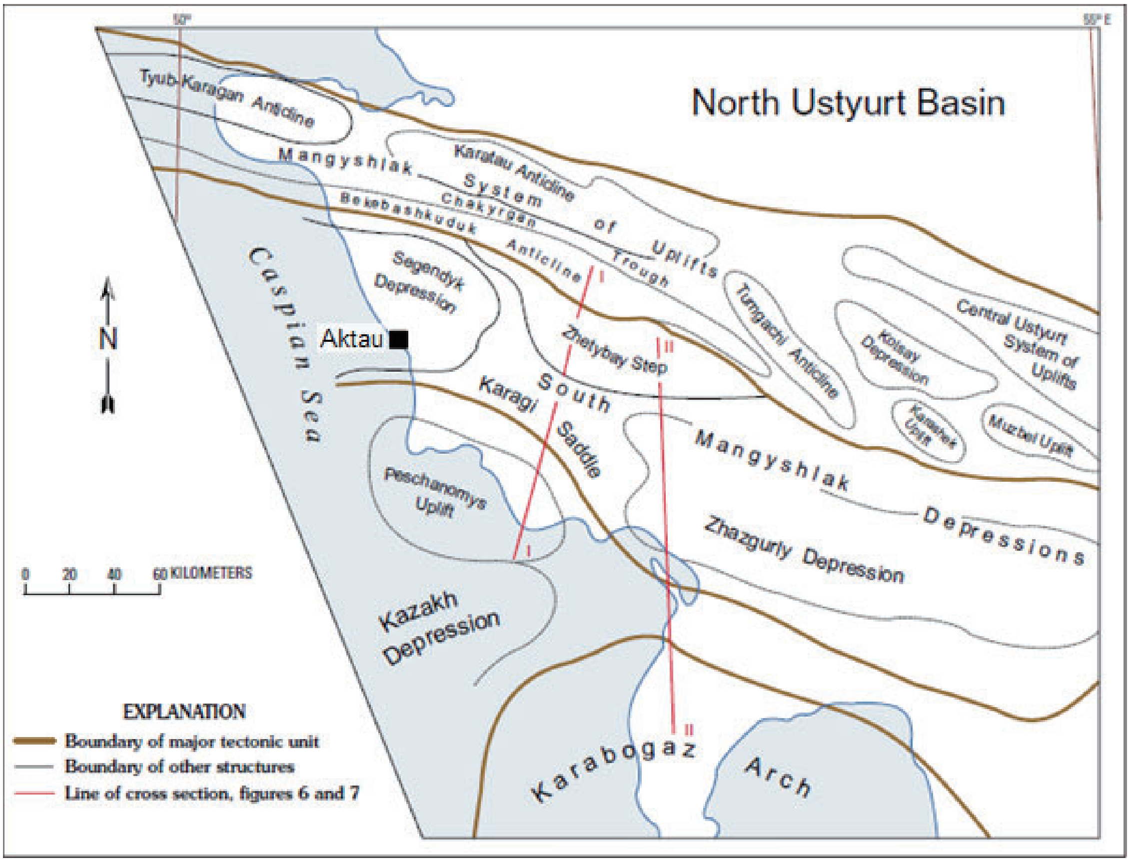
The Emir block is located in the South Mangyshlak Total Petroleum System forming part of the Middle Caspian Basin (USGS Classification) in the Western part of the Kazakhstan (**Figure 4**)[2]. The Middle Caspian Basin occupies the eastern North Caucasus region, the central part of the Caspian Sea and a system of depressions east of the sea. In the north and northeast, the system is bounded by the Mangyshlak fold belts which is structurally inverted and deformed axial zone of the Triassic Rift. In the south, the system borders with Karabogaz arch wherein thin Cretaceous and Tertiary rocks overlies the basement. To the west it extends to the central Caspian Sea possibly extending to the Astrakhan-Guryev strike-slip fault separating the structure from the Eastern and Western Caspian Sea.

Figure 4: Petroleum Systems of Caspian Sea



Proved hydrocarbon reserves of the system exceed 6 billion barrels of oil equivalent (BOE), 84% of which is oil, as reported by USGS in 2001. Most hydrocarbons are in the Zhetybay step (structural terrace) south of the Mangyshlak fold belt **(Figure 5)**[2]. Fields include two giant (Uzen and Zhetybay) and a number of small and medium fields. Several accumulations have been discovered in carbonate and clastic Triassic reservoirs on the Zhetybay step. The Zhetybay step is a gently southward dipping structural terrace between Bakebashduk anticline of the Mangyshlak fold belt and deep depressions down south.

Figure 5: Generalized Map Showing Structural Units of South Mangyshlak Petroleum System and Location of Zhetybay Step



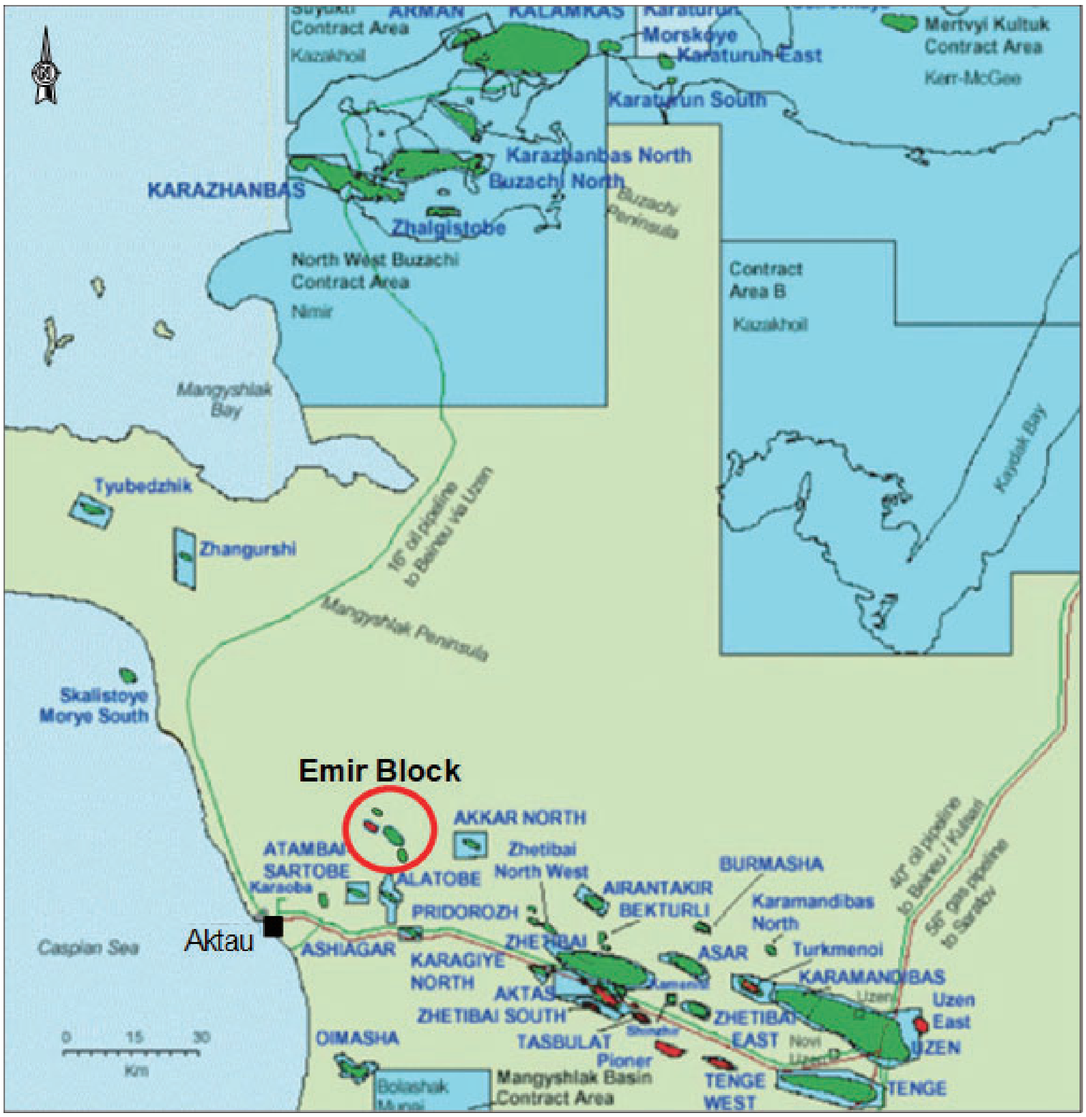
The more significant reservoirs vary from Lower to Middle Jurassic sandstones interbedded with shales and mudstones. However, there are reservoirs within the Triassic sequence as well, consisting of fractured carbonates with dominant vuggy porosity. Best reservoir rocks in the Triassic are 30–180 m thick consisting of alternating tuffs and leached oolitic dolomites with porosities exceeding 20 percent and permeabilities to the range of 200–300 mD. Reservoir properties are enhanced by vugs and fractures though the matrix porosity in dolomite does not exceed 3–4% and the permeability is nearly zero. Leaching is developed along the neo-tectonic (post-early Miocene) fracture systems.

The regional high quality seal is present in the stratigraphic section consisting of Upper Jurassic (Upper Callovian-Kimmeridgian) transgressive marine shales and carbonates. The Triassic sequence does not contain regional seals. Hydrocarbon accumulations in this sequence are apparently sealed by dense carbonates and tuffs that have not developed any secondary porosity and permeability.

All the hydrocarbons in the principal producing Lower-Middle Jurassic sections are in structural traps of the Zhetybay step. These are elongated anticlines grouped in three lines approximately parallel to the Mangyshlak fold belts. The trapping mechanism in Triassic is quite different and is controlled by significant strike-slip faults and fracture intensity.

The Emir block is located 12 km Northwest of the Zhetybay Step **(Figure 6)**[2].

Figure 6: Location of Emir Block



3 Stratigraphy

3.1 Regional Stratigraphy

The upper Olenekian-Middle Triassic carbonate formation, which includes the main source rocks, overlies lower Olenekian marine variegated clastics and Induan red beds, which are more than 1,500 m thick on the Zhetybay step **(Figure 7** and **Figure 8)**[2]. These rocks thin and pinch out on the Peschanomys uplift. Older, Upper Permian, gray clastic rocks are present only in the Mangyshlak and, probably, in the Kara-Audan rifts. Upper Triassic marine clastics, directly overlying the upper Olenekian-Middle Triassic carbonate Formation, are preserved chiefly in the South Mangyshlak depression where they are up to 600 m thick. On the Zhetybay step and slopes of the Karabogaz arch, the rocks were eroded in pre-Jurassic time. The Lower-Middle Jurassic section consists of continental clastics. Thickness ranges from 1,300 to 1,400 m in central parts of the basin overlain by transgressive section of middle Callovian-Kimmeridgian age consisting of shales and carbonates and acts as a regional seal. The lower Cretaceous section is 1,100–1,200 m thick in depressions and about 700–900 m thick in Zhetybay Step. The Upper Cretaceous is 300–600 m thick in depressions. The Maykop Series (Oligocene — Lower Miocene) is composed of marine shales and is 100–200 m thick on Zhetybay step. Middle Miocene and younger rocks lie uncomformably on various parts of Maykop Series.

Figure 7: Cross section through South Mangyshlak Petroleum System

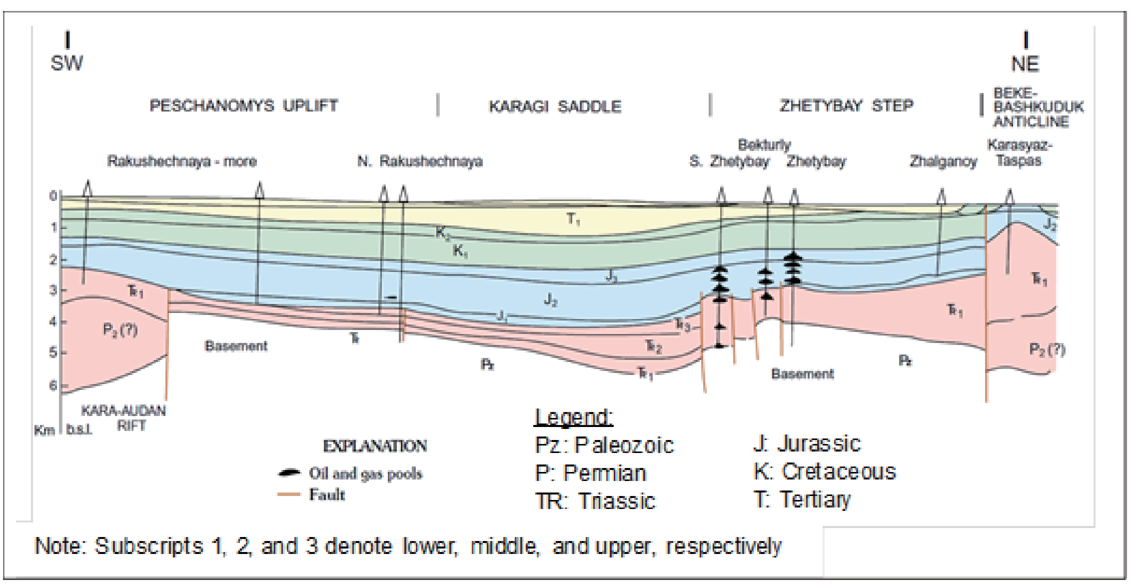
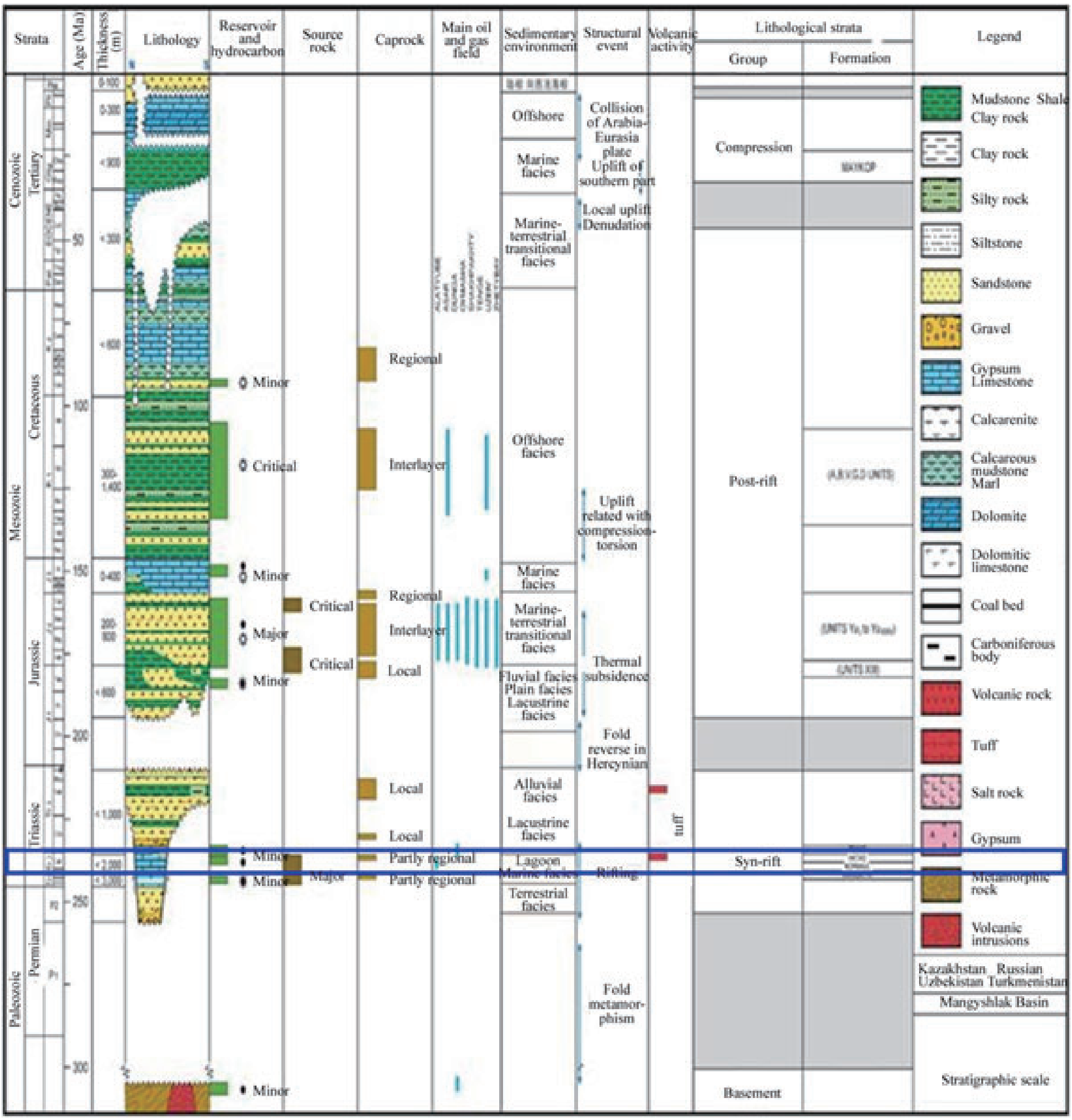


Figure 8: Stratigraphic Column of Mangyshlak Basin

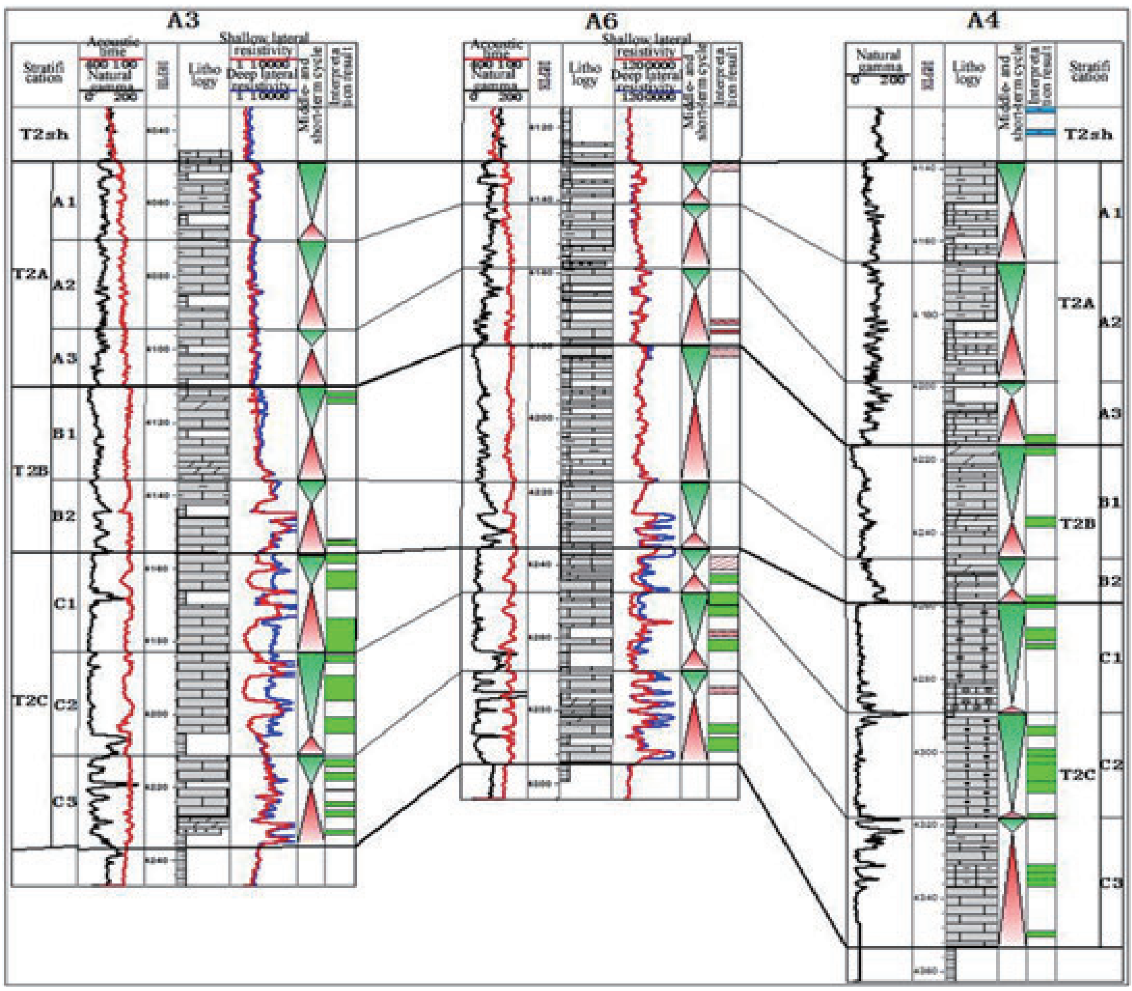


3.2 Sublayer Divisions and Stratigraphic Characteristics of Emir Block

There six fields discovered in the Emir Block: Kariman, Dolinnoe, Aksaz, Emir, Yessen and Borly. The main producing intervals are the Middle Triassic carbonates with major lithologies varying between limestone and dolomitic limestone at a depth of 2,800 m–4,400 m. The target carbonate reservoirs in the Emir block have been divided into three layers (T2A, T2B and T2C respectively). There is further subdivision into eight sub-layers (A1, A2, A3, B1, B2, C1, C2, and C3) respectively **(Figure 9)**. However, for this report, the volumes are reported only for the major stratigraphic units (T2A, T2B and T2C).

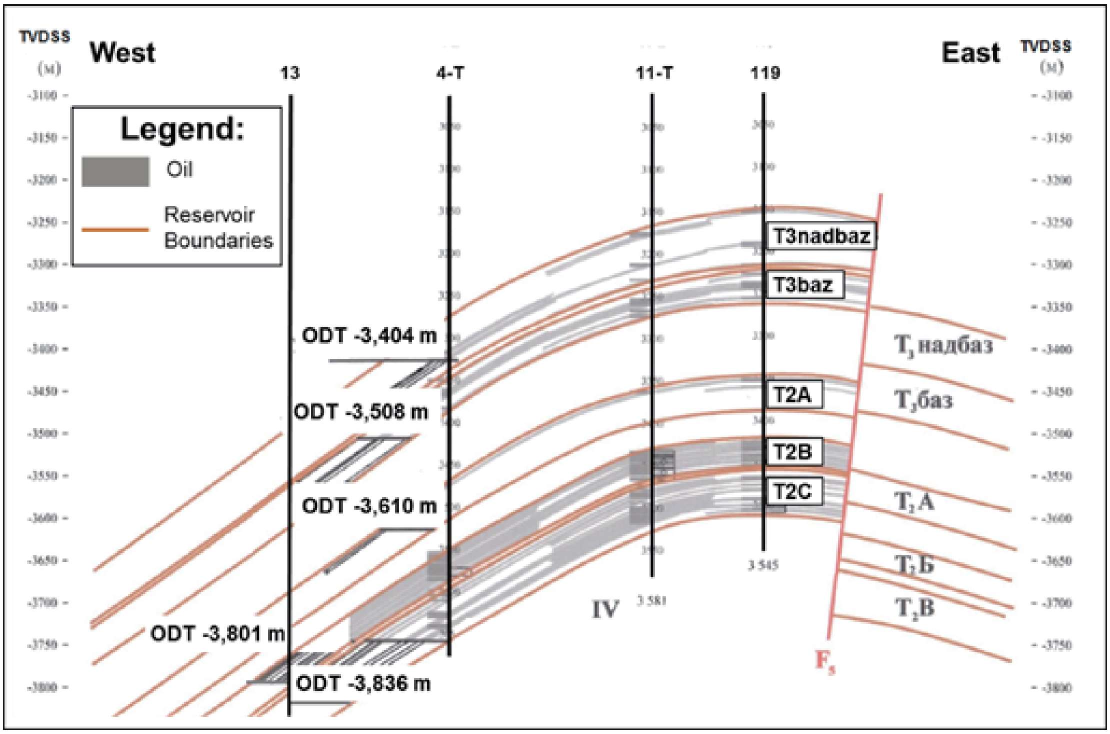
The T2A layer is mainly composed of dark grey marl and a small amount of grey limestone and brown mudstone. The T2B layer on the other hand is typically light gray limestone and grey dolomitic limestone with a small amount of mudstones. The T2C consists again of light grey to grey limestone with abundant oolitic and shell fragments with occasional grey dolomitic limestone, dark brown limestone to dolomitic limestone with dark mudstone interlayers.

Figure 9: Stratigraphic Subdivision of the Emir Block



The Emir block also includes T3 Zone which is a siliciclastic reservoir and minor quantity of oil has been recovered from this interval. **Figure 10** illustrates the Triassic reservoir within the Emir Block.

Figure 10: Cross Section through the Main Reservoir Units in Kariman Field of the Emir Block

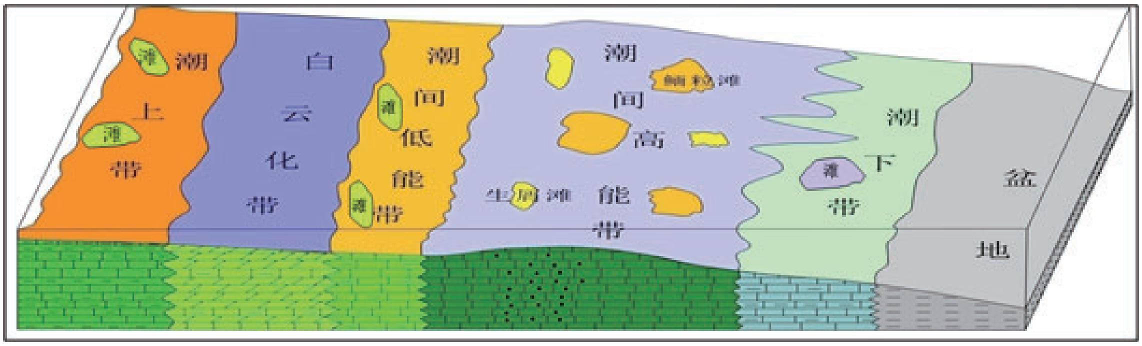


3.3 Depositional Environment

Based on various sedimentary models it was concluded that the T2 carbonates within the Emir block were deposited in a gentle slope carbonate platform **(Figure 11)** consisting of tidal flat facies. The area also consists of supra-intratidal dolomitization zone which is the predominant facies in the area. The dolomitized microfacies are located in the upper part of the intertidal zone and were developed at the top of T2B interval in Kariman. The area also consists of supratidal limestone, intertidal low-energy limestone beach sediments, oolitic beach sediments, bioclastic beach and subtidal limestone beach facies. Lithologically, the area consists of lime mudstones, marlite, dolomite, oolitic limestone, sparitic granular limestone, sparitic bioclastic granular limestone with minor breccia, argillaceous limestone and mudstone.

In general, the T2B and T2C have a smaller amount of argillaceous intercalations indicating strong hydrodynamic environment with dominant intertidal oolitic beach facies hence forming the main reservoir development zone in this area. The T2A section has higher mud content indicating decreasing hydrodynamics and worse reservoir properties than that of T2B and T2C.

Figure 11: Carbonate Rock Platform Model for Emir Block



3.4 Diagenesis, Leaching and Fracturing

The understanding of the development of secondary porosity is critical in this area as the primary porosity and permeability have been significantly changed due to diagenesis and compaction and have also been affected by enhanced leaching and micro-fracturing. No detailed documentation is available to quantify the impact of diagenesis on reservoir quality in the area of the study.

4 Emir Block Geology

Emir Block area is a failed Permo-Triassic rift that created a series of grabens and horsts. The syn-rift section contains the reservoirs for all the fields and discoveries of the Block. The traps are typically tilted fault blocks with closure against the main bounding fault sub-cropping the Jurassic unconformity. The seal is provided by the late synrift sequence of Jurassic — Tertiary shales. The hydrocarbon-filled structures are mostly aligned to the main Northwest-Southeast (NW-SE) trending fault system, interpreted as the main thrust fault.

Figure 12 illustrates the location of the Emir Block Area with approved production contract areas. Kariman is by far the largest field and is the biggest contributor to the production in the Block (**Figure 13**). The field is associated with the Kariman anticline is oriented in the northeastern direction and is comprised of two domes, Kariman and North Kariman. The anticline is located within Karagiinskaya saddle which forms part of the South Mangyshlak-Ustyurt system of troughs. **Figure 14** to **Figure 17** illustrate the Dolinnoe, Aksaz, Emir and Yessen Fields.

Figure 12: Emir Block Area with Approved Production Contract Areas

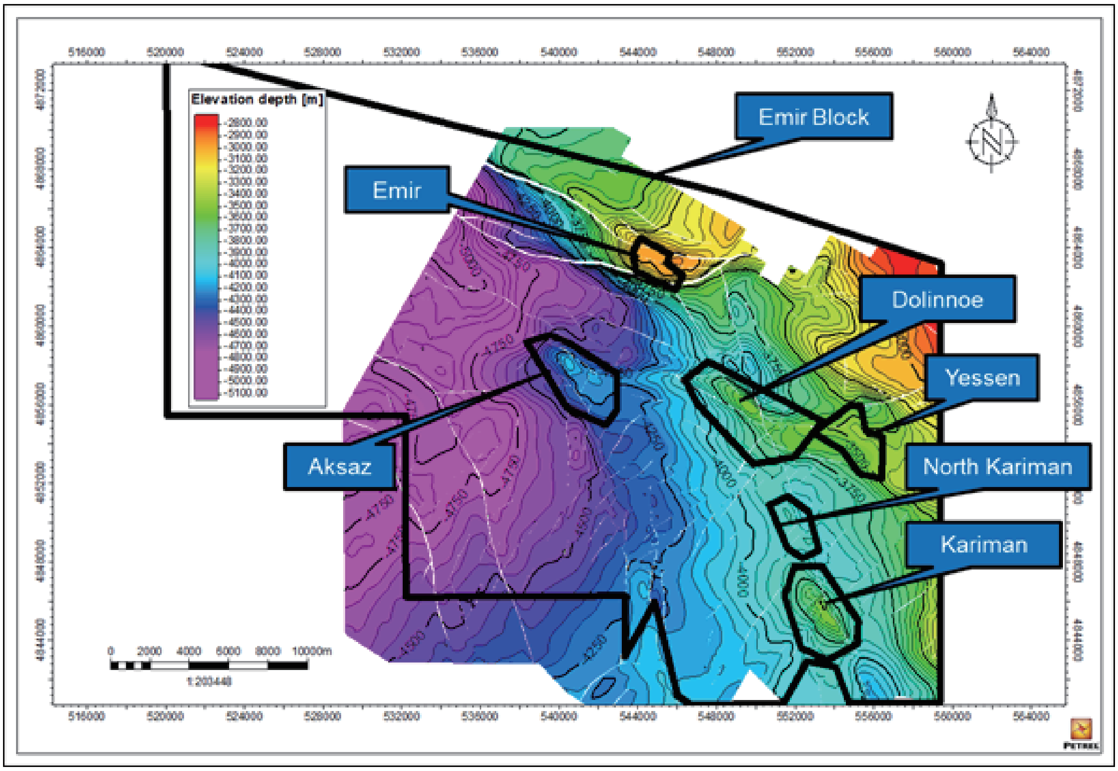


Figure 13: Kariman Field Top T2B Map

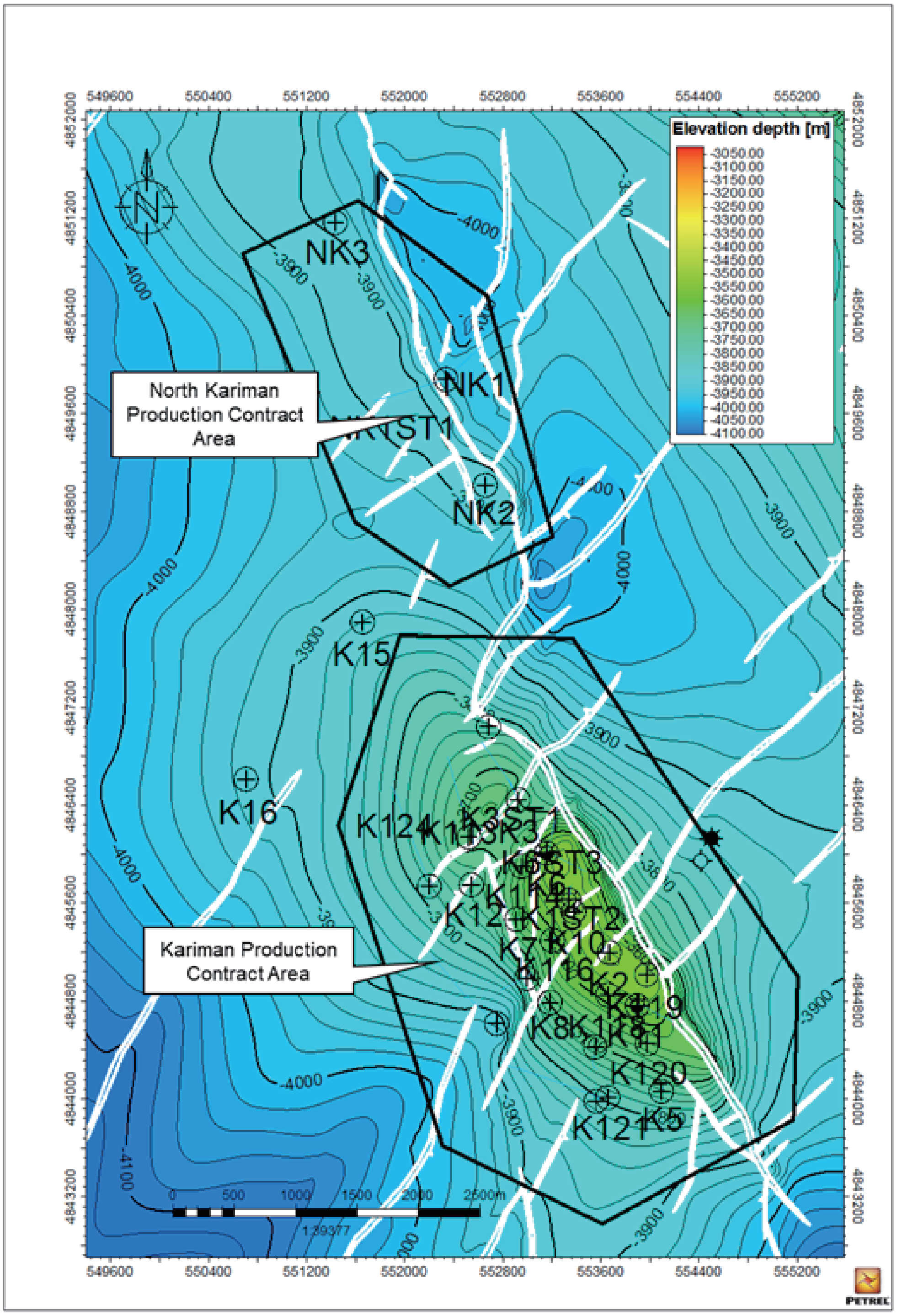


Figure 14: Dolinnoe Field Top T2B Map

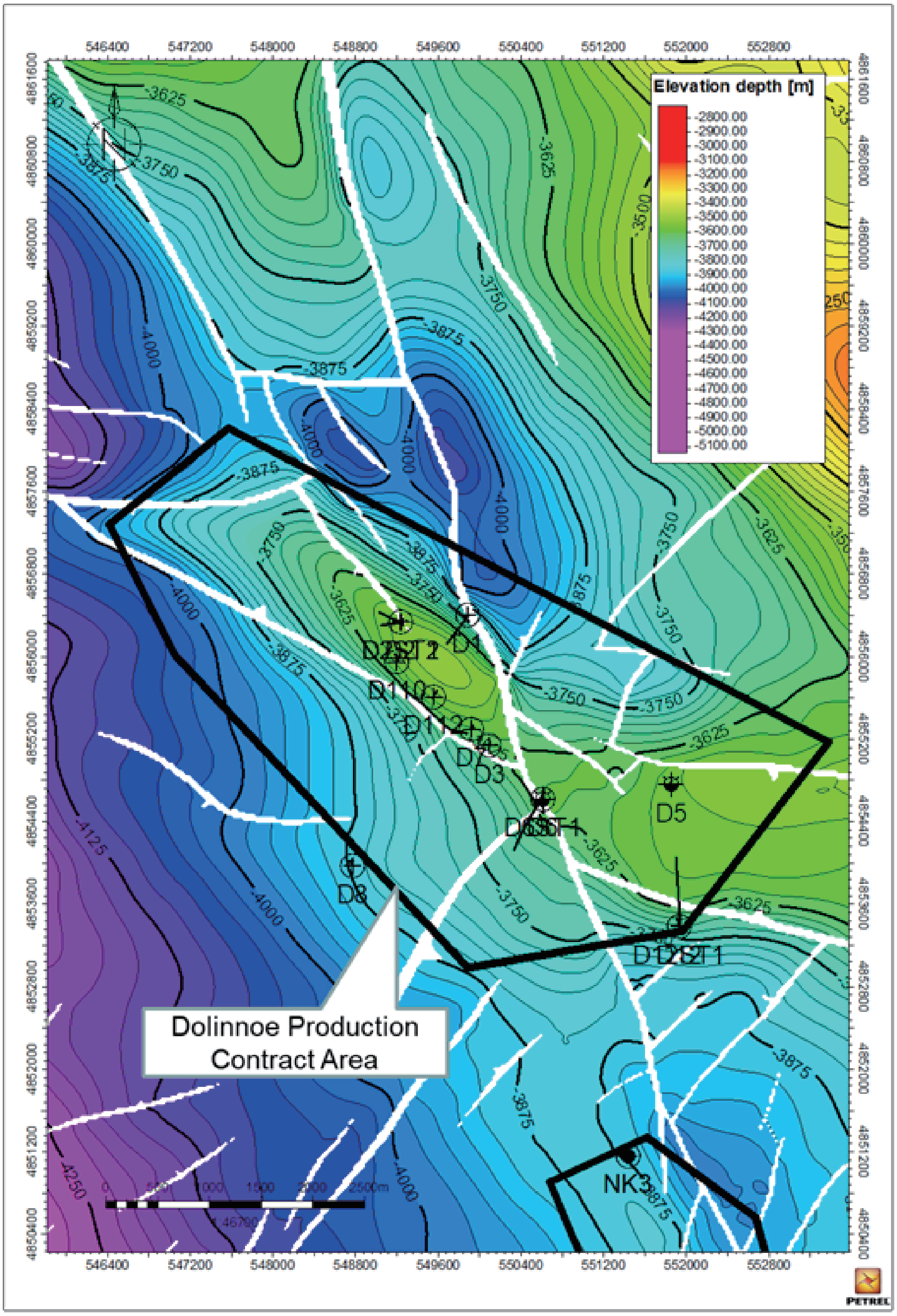


Figure 15: Aksaz Field Top T2B Map

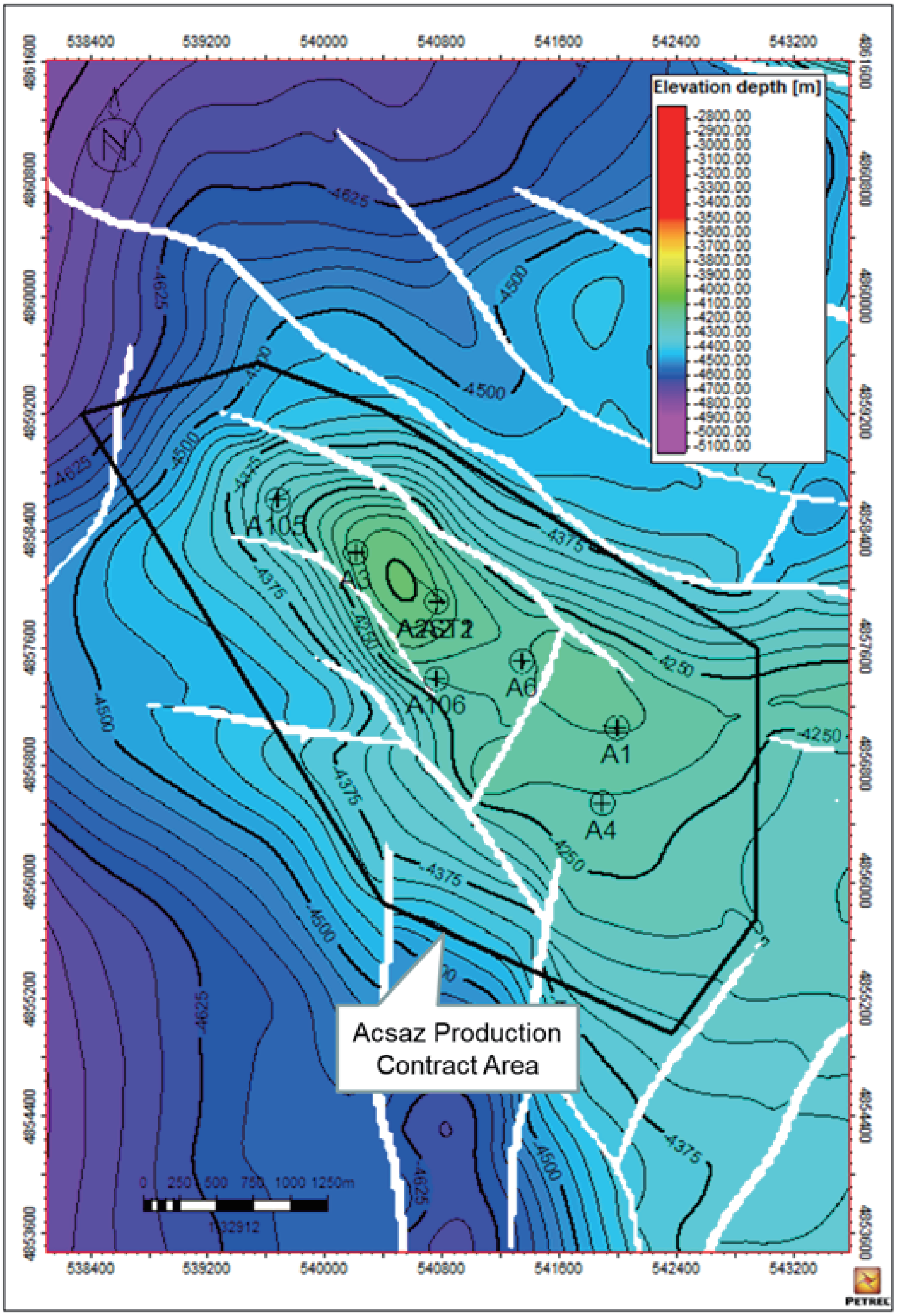


Figure 16: Emir Field Top T2B Map

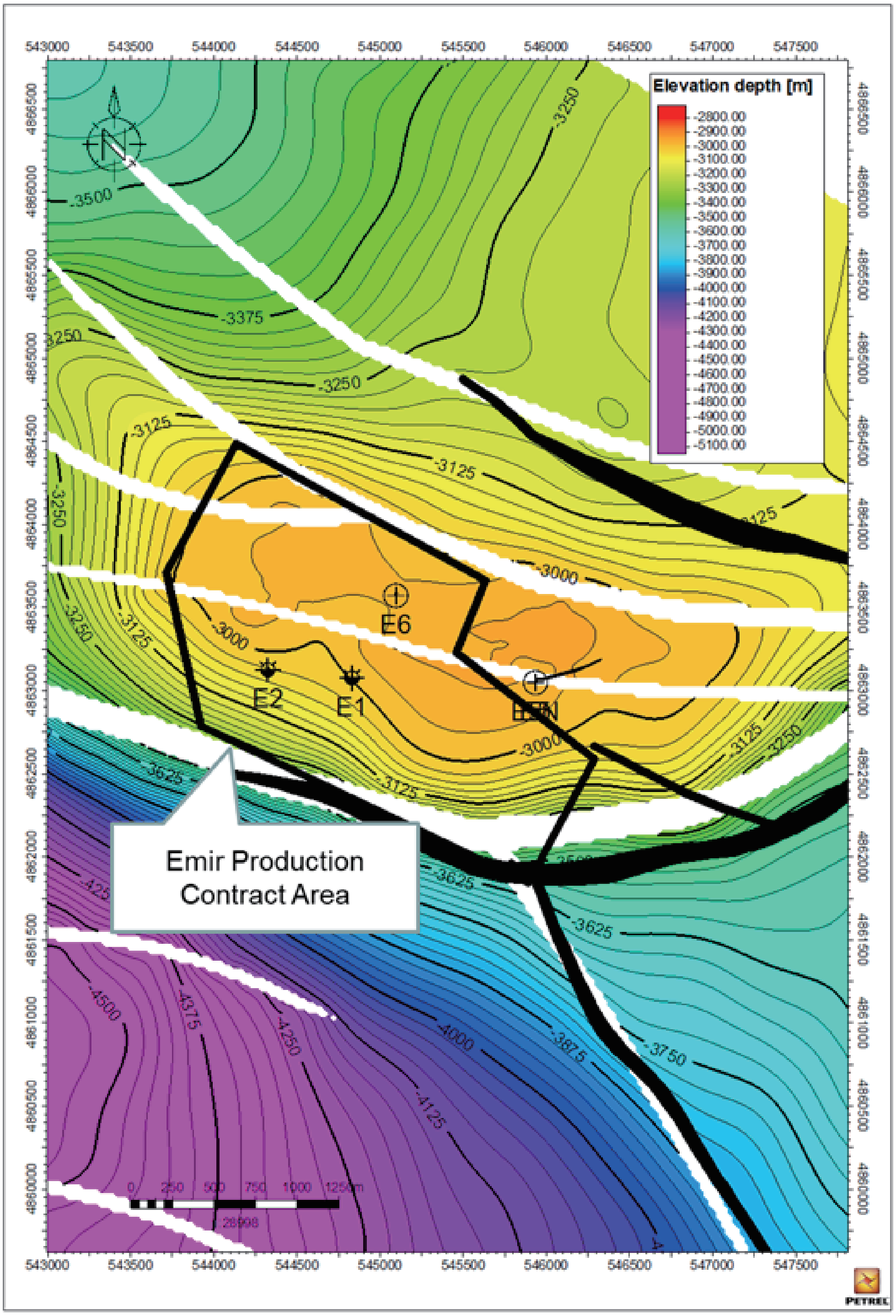
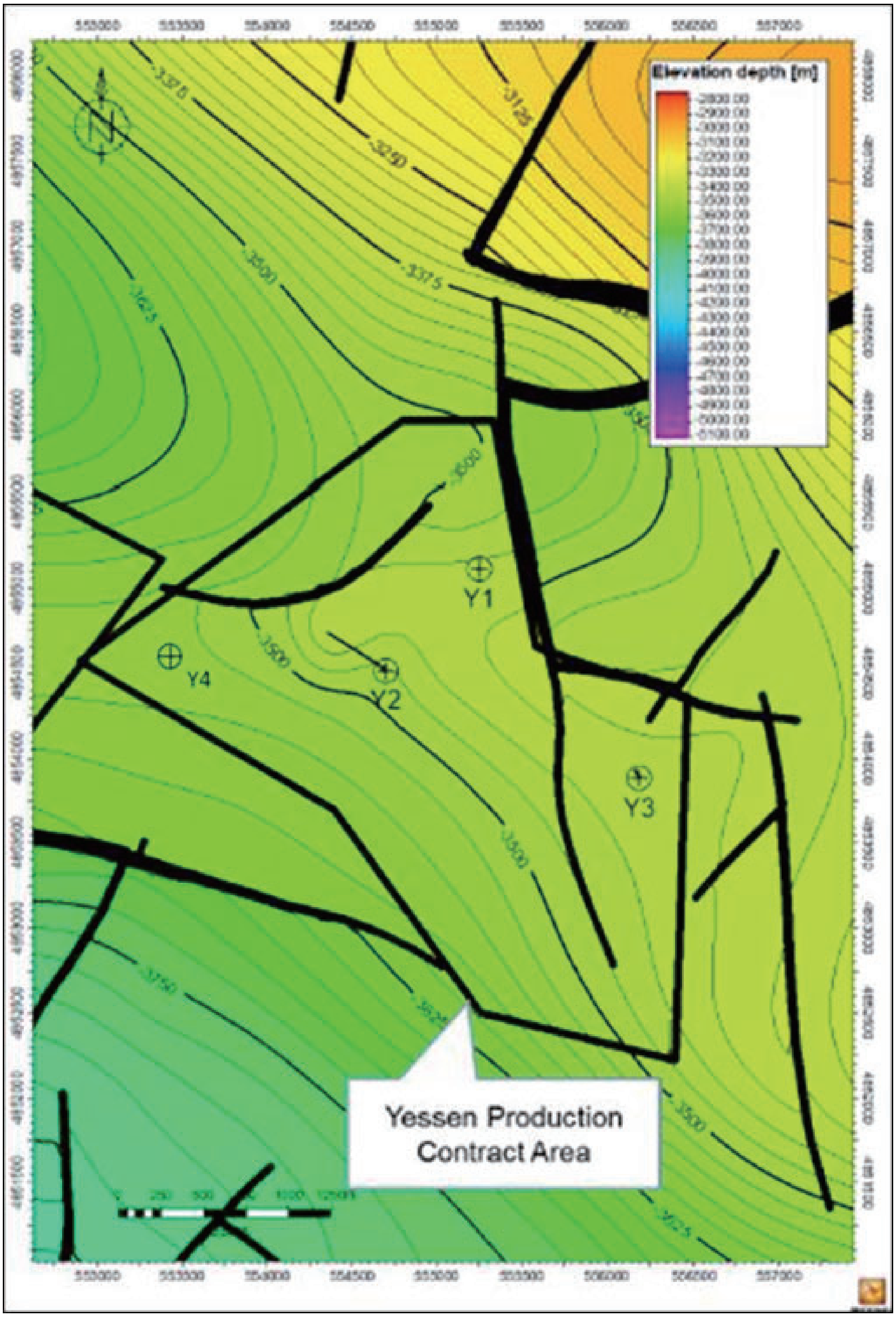


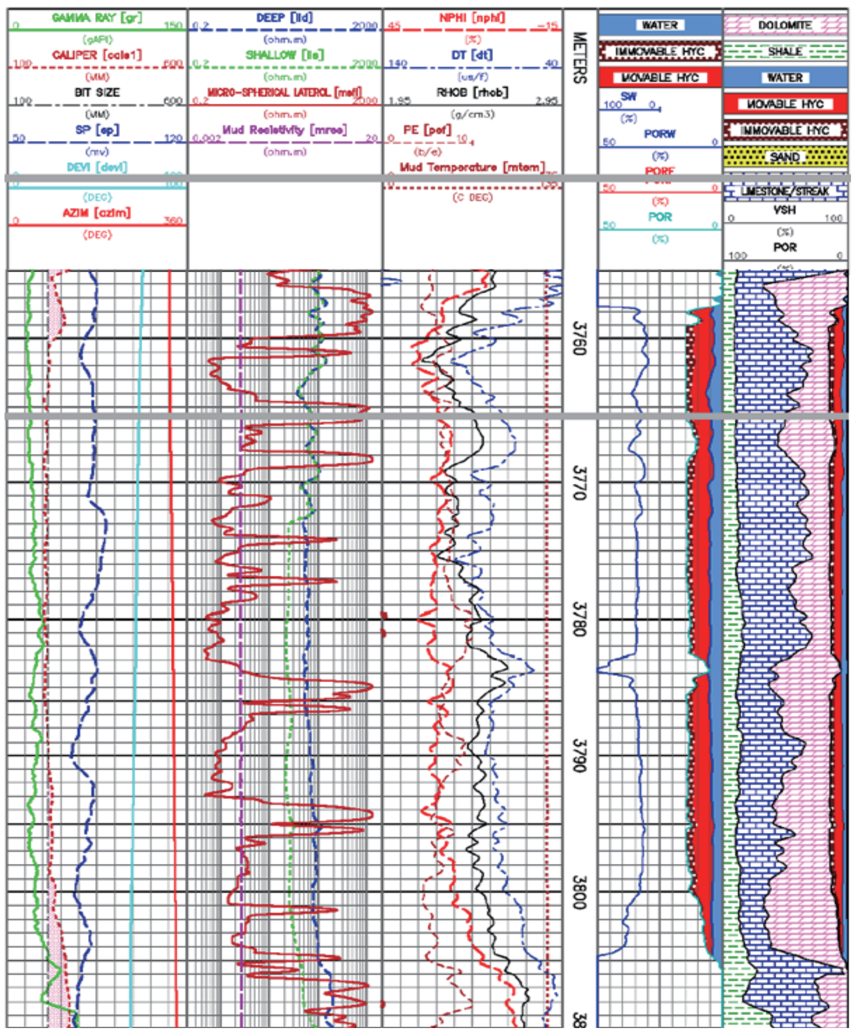
Figure 17: Yessen Field Top T2B Map



5 Petrophysics

In the largest Emir Block Field, Kariman, approximately 30 wells have been drilled and logged in the field out of which approximately 10 have been cored. **Figure 18** shows input logs and results of the log interpretation in well K-113.

Figure 18: Well K-113 Logs and Interpretation



The log suite in Emir Block is typically comprised of Gamma Ray (GR), Spontaneous Potential (SP), Caliper, Neutron Porosity, Acoustic, Density, Photoelectric Absorption and various types of Resistivity logs. Overall, the log quality is good.

Both routine (RCAL) and special (SCAL) analyses were performed on core samples, including lithological description, mineralogy, grain density, porosity, permeability, capillary pressure, irreducible water saturation (Swirr), Archie parameters.

GaffneyCline has performed some spot-checks on MIEH's well log interpretation and in general find the petrophysical interpretation to be reasonable.

Two new wells K-15 and K-16 were drilled in Kariman area in last quarter 2018 and 2019 with the objective to determine the lithology of the zone of interest, estimate porosity and saturation. The wells K-15 and K-16 were logged by Schlumberger in January and April 2019 respectively.

GaffneyCline evaluated, the interpretation of these logs carried out by Schlumberger. GaffneyCline evaluation was based on the following three sources of information from K15 and K16 which were further used to clarify oil water contact (OWC) depth in Kariman Field:

a. Test Results;

b. Well logs; and

c. Pressure data.

The test results in well K15 showed oil flow at the rate of up to 127 m^3/d with limited water cut in T2B with bottom perforations at -3,879.27 m TVDss. T2C in K-15 tested water with highest known water at -3,917.17 m TVDss. The focus of the study was on K-16 well as it penetrates reservoir at greater depth where alleged OWC occurs. However, in K16 limited volume of oil was tested from -3,879.29–3,911.49 m TVDss interval with significant (58–83%) water cut. From the K16 test results it is apparent that some oil occurs below -3,879.29 m TVDss, but only part of tested T2B interval is oil-bearing.

GaffneyCline reviewed the log data from both wells and the following observations were made:

a. The borehole condition is often not very good.

b. The reservoir comprises of dolomite and sometimes dolomitic limestone.

c. Interpreted porosity ranges from very low to high (sometimes more than 0.20 in some pure dolomite intervals).

d. No core and SCAL data was made available therefore standard parameters were used for Archie Sw calculations (m=n=2 and a=1).

e. The formation water salinity assumed 60,000 ppm NaCl equivalent.

f. Using above-mentioned parameters Sw was calculated that resulted in very low Sw throughout the reservoir including intervals that tested water. One of the explanation of this could be poor borehole condition that led to overestimation of porosity and underestimation of Sw. As a result log derived Sw was used qualitatively, to see relative change in Sw values throughout the reservoir.

g. It was noted that a very porous dolomite below -3,897 mTVDss shows slightly higher Sw in comparison to tighter reservoir above. Although that could be explained by poorer borehole condition in the tighter reservoir, however, as per GaffneyCline's opinion it should be taken into account that T2B section tested limited oil volumes that are not consistent with higher than 0.20 porosity in said dolomite reservoir.

In K-15 only three good quality points were used to derive oil gradient in T2B at ca. -3,870 mTVDss. In K-16, three good quality and four satisfactory points were taken. Various combinations of those seven points were used in an attempt to derive pressure gradients and fluid densities, but resulting densities were either too low (representative of gas), too high (much higher than 1 g/cc) or negative. Hence, none of the above results correspond to expected fluid type (oil and/or water), therefore the data was deemed unreliable for the purpose of the study.

Based on the above observations and analysis, GaffneyCline has estimated the possible OWC which are as given below:

a. Low case OWC was determined at -3,897m TVDss.

b. High case OWC was determined at the highest known water in well K15 at -3,917m TVDss.

c. Base case OWC was determined as midpoint between low and high case at -3,907m TVDss.

6 Reservoir Conditions and Properties

The productive reservoirs are Triassic carbonates with predominantly secondary porosity related to diagenesis and leaching. There is also evidence of secondary porosity related to micro-fracturing and stylolite formation. These reservoirs contain light crude with gravity of 35- 43ºAPI with a solution gas ratio of 240–1,700 scf/stb.

Certain reservoir properties, as per the FDP provided by MIEH for all the fields, are listed in **Table 6**. Section 7 provides a more detailed discussion on the reservoir properties used for volumetric calculations.

Table 6: Average Reservoir Properties for the Oil Fields

	Kariman			Dolinnoe	Emir	Yessen	Aksaz
Parameter	**T3**	**T2B**	**T2C**	**T2**	**T2**	**T2**	**T3**
Top Reservoir Depth, ft TVDss	11,168	11,168	11,355	11,772	11,152	11,410	12,638
Average Gross Thickness, ft	384	268	116	116	120	121	134
Average Permeability, mD	15	15	47	5	3	4	—
Initial Pressure at OWC, psi	4,733	4,733	4,733	7,644	4,439	5,586	5,851
Initial Temperature, °C	125	125	125	138	109	130	137
Oil Gravity, °API	36	35	35	43	37	39	39
Bubble-Point Pressure, psi	1,191	1,191	1,191	3,925	1,793	1,720	—
Solution GOR, scf/stb	237	556	463	1,738	393	320	190
Oil FVF at Pi, Rm^3/Sm^3	1.165	1.165	1.165	1.775	1.200	1.153	1.138
Oil Viscosity at Pi, cP	1.43	1.43	1.43	0.53	0.53	1.59	—

7 HCIIP Estimates

GaffneyCline's previous HCIIP estimates in 2018 were based on deterministic methods derived using area, average pay thickness and average reservoir properties. However, in 2019, GaffneyCline's estimation of the in-place volumes was done using a map-based volumetric method in Petrel for Kariman and North Kariman T2B and T2C reservoirs (described in Section 7.1). For the rest of the fields and other reservoirs in Kariman, the methodology remains unchanged.

MIEH has also provided an updated Petrel model with its own interpretations on the Net Reservoir distributions of Kariman & NK, Dolinnoe & Yessen and Aksaz. GaffneyCline reviewed the model and checked the In-place Volumes. Comparing to the previous version used for the YE2020, GaffneyCline recognized that MIEH's interpretations are relatively optimistic. To keep the understanding on the reservoir volumes consistent, considering no significant discoveries within the fields, GaffneyCline has to ignore the new model provided.

7.1 Kariman (including North Kariman)

GaffneyCline estimated STOIIP for Kariman (including North Kariman) using map-based uncertainty analysis. This analysis was done only for the T2B and T2C reservoirs as these are the main producing reservoirs in Kariman. **Table 7** lists the variation in reservoir properties used to quantify the uncertainty in relation to STOIIP. The variables included uncertainty in oil water contacts (OWC), net-to-gross (NTG), porosity and oil saturation (Sh). The base case values for reservoir properties were calculated on the basis of wireline log well averages and property models. The base case contacts were estimated based on the recently drilled K15 and K16 wells in Kariman. A constant Bo of 1.165 was used for all the cases. The low case is bound by the current Production Contract area whereas the entire structure is taken into account for base and high cases. The uncertainty analysis was done using 3,000 runs.

For the rest of the minor reservoirs in Kariman (T3 nadbaz, T3 baz, and T2A) the method used in 2018 was retained.

Table 7: Parameters for Uncertainty Analysis

Reservoir Parameter	Base Case	Distribution	Min	Mode	Max
Contact (m TVDss)	3,907	Triangular	3,897	3,907	3,917
NTG (T2B)	0.412	Triangular	0.289	0.412	0.6094
NTG (T2C)	0.359	Triangular	0.28	0.359	0.465
Porosity T2B	0.1174	Triangular	0.1074	0.1174	0.1274
Porosity T2C	0.1163	Triangular	0.1063	0.1163	0.1263
Oil Saturation T2B	0.7	Triangular	0.63	0.7	0.77
Oil Saturation T2C	0.6	Triangular	0.54	0.6	0.66

Table 8 shows the parameters used for these reservoirs. The STOIIP as estimated using these methods is listed in **Table 9** with the associated solution gas shown in **Table 10**.

Table 8: Reservoir Parameters for T3 nadbaz, T3 baz and T2A

Reservoir	Low	Best	High
Average Porosity			
T3 nadbaz	0.11	0.115	0.12
T3 baz	0.12	0.125	0.13
T2A	0.085	0.095	0.105
Average Hydrocarbon Saturation (Sh)			
T3 nadbaz	0.63	0.7	0.77
T3 baz	0.67	0.74	0.81
T2A	0.67	0.77	0.87

Table 9: STOIIP Estimate for Kariman (including North Kariman)

Zones	Low	Base	High
T3 nadbaz	26.92	36.39	51.20
T3 baz	27.26	40.57	50.67
T2A	3.63	9.06	18.87
T2B	42.00	107.00	133.80
T2C	55.00	94.70	111.70
Total	**154.81**	**287.72**	**366.24**

Table 10: Solution Gas Estimate for Kariman (including North Kariman)

Zones	Low	Base	High
Solution Gas (Bscf)			
T3 nadbaz	6.4	8.6	12.1
T3 baz	6.5	9.6	12.0
T2A	1.7	4.2	8.8
T2B	19.5	49.6	62.0
T2C	21.7	37.3	44.0
Total	**55.8**	**109.3**	**138.9**

7.2 Dolinnoe, Emir, Yessen and Aksaz

The volumetric calculations are based on deterministic methods using area, average pay thickness and average reservoir properties. **Table 11** and **Table 12** list the average porosity and hydrocarbon saturation used for the volumetric calculations for Dolinnoe, Emir, Yessen and Aksaz. **Table 13**, **Table 14** and **Table 15** list the low, best and high case STOIIP, solution GIIP and free GIIP for the above mentioned fields. The volumes are identical to those reported in 2018 as no new information has been made available that would change the estimates.

Table 11: Average Porosity

Field	Reservoir	Low	Best	High
Dolinnoe	T2A-II	0.123	0.137	0.151
	T2B	0.113	0.126	0.139
	T2C	0.113	0.126	0.139
Emir	T2A-II+T2B	0.150	0.160	0.170
	T2C	0.100	0.110	0.120
Yessen	T2A-II	0.078	0.087	0.096
	T2B	0.093	0.103	0.114
	T2C	0.094	0.104	0.114
Aksaz	T3	0.100	0.110	0.120
	T2A1	0.070	0.080	0.090
	T2A2	0.100	0.110	0.120
	T2B	0.120	0.130	0.140
	T2C	0.090	0.100	0.110

Table 12: Average Hydrocarbon Saturation (Sh)

Field	Reservoir	Low	Best	High
Dolinnoe	T2A-II	0.760	0.800	0.840
	T2B	0.827	0.870	0.914
	T2C	0.827	0.870	0.914
Emir	T2A-II+T2B	0.640	0.700	0.770
	T2C	0.540	0.600	0.660
Yessen	T2A-II	0.800	0.620	0.920
	T2B	0.738	0.820	0.902
	T2C	0.820	0.900	0.930
Aksaz	T3	0.670	0.740	0.810
	T2A1	0.680	0.750	0.820
	T2A2	0.690	0.760	0.830
	T2B	0.770	0.850	0.930
	T2C	0.710	0.780	0.850

Table 13: STOIIP Estimates

Field	Reservoir	STOIIP (MMBbl) Low	Best	High
Dolinnoe	T2A-II	7.00	13.70	19.80
	T2B	43.30	68.30	96.70
	T2C	3.40	5.60	8.00
Emir	T2A-II+T2B	10.30	15.60	22.90
	T2C	2.40	4.30	6.90
Yessen	T2A-II	1.98	3.70	10.28
	T2B	5.70	16.96	32.72
	T2C	10.02	21.69	39.53
Aksaz	T3	1.20	2.40	4.10
Total		**85.30**	**152.25**	**240.93**

Table 14: Solution Gas Estimates

Field	Reservoir	Solution GIIP (Bscf) Low	Best	High
Dolinnoe	T2A-II	12.2	23.8	34.4
	T2B	75.3	118.7	168.1
	T2C	5.9	9.7	13.9
Emir	T2A-II+T2B	4.1	6.1	9.0
	T2C	0.9	1.7	2.7
Yessen	T2A-II	0.6	1.2	3.3
	T2B	1.8	5.4	10.5
	T2C	3.2	6.9	12.7
Aksaz	T3	0.2	0.5	0.8
Total		**104.2**	**174.0**	**255.4**

Table 15: Free GIIP Estimates

Field	Reservoir	Free GIIP (Bscf) Low	Best	High
Aksaz	T2-A1	0.9	2.2	4.2
	T2A2	3.4	7.6	14.1
	T2B	16.0	35.4	65.3
	T2C	2.6	5.3	9.4
Total		**22.9**	**50.45**	**93.0**

8 Reservoir Engineering

8.1 Development History

Commercial development of the Emir Block commenced in 2004 and it presently comprises production of oil, water, free and solution gas from five fields — Kariman, Dolinnoe, Aksaz, Emir and Yessen:

- Oil production reached a peak of some 5,800 bopd in 2013 but has since declined to average 1,936 bopd in 2021, though with peak daily rates of up to 2,545 bopd.

- Water production has been negligible so far and currently none of the active wells produce any significant amount of water.

- Solution gas production has been gradually increasing over the entire production period and reached around 8 MMscfd in 2014. The majority of the solution gas has been produced from Kariman and Dolinnoe Fields.

- Free gas production started in 2004 and peaked at around 3.9 MMscfd in 2011, coming solidly from the Aksaz Field. In 2021, the free gas production rate was around 0.20 MMscfd.

The cumulative oil production from Emir Block in the field was 16.3 MMBbl by 31 December 2021, with the Kariman and Dolinnoe Fields being the biggest contributors to the overall recovery. Emir Block historical oil production is shown in **Figure 19** and **Table 16**.

The current well stock comprises 55 development wells that have been active in the field over the historical period. Most of the wells were completed in the T2 reservoir. The production was halted in March 2021 due to gas emissions violation but restored in the following month. Production from the existing producers has been declining over the last several years until April 2021. An increase in oil rate was seen since May 2021, contributed by the Kariman Field.

Figure 19: Historical Annual Production, Emir Block

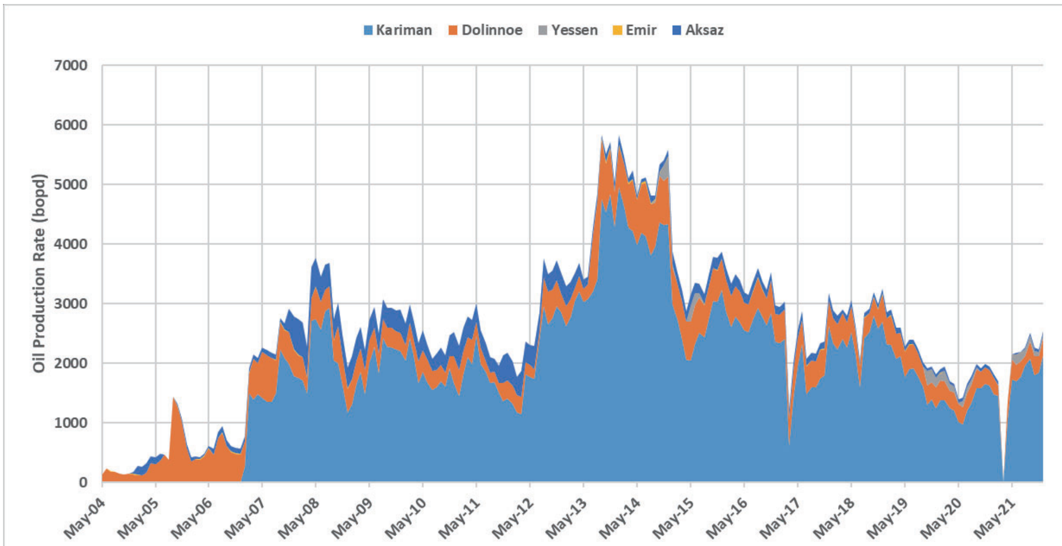


Table 16: Production Summary, Emir Block

	Production Well Count			Cumulative Production by 31 December 2021			Average Rates in 2021			
Field	Active Wells	Inactive Wells	Total Wells	Oil MBbl	Solution Gas MMscf	Free Gas MMscf	Water MBbl	Oil bopd	Gas MMscfd	Water bwpd
Kariman	19	9	28	12,237	5,842	—	20.1	1,586	1.6	22.0
Dolinnoe	5	6	11	2,790	7,845	—	8.7	245	1.4	13.1
Emir	0	4	4	30	0	—	0.0	0	0.0	0.0
Yessen	1	3	4	114	33	—	1.9	73	0.0	4.3
Aksaz	5	3	8	1,125	—	9,365	1.6	51	0.2	0.6
TOTAL	**30**	**25**	**55**	**16,296**	**13,720**	**9,365**	**32.2**	**1,936**	**3.3**	**40.0**

8.2 Future Development

Development scenarios for the Emir Block Fields were outlined in a number of Kazakhstan State Approved reports compiled by local institutes.

The main aim is to utilise the full capacity of the CPF upon upgrading with completion expected to be in October 2023 with maximum oil and gas capacity of 12,000 BOPD and 21 MMscfd.

The workover and reactivation activity, and the drilling schedule from the approved Business Plan are shown in **Table 17** and **Table 18** below. Gas injection for secondary recovery will commenced in March 2022 via well K119 and future plan is to debottleneck surface facilities and install a new 25 km pipeline in 2023. Prior to the completion of the new pipeline in 2023, produced crude oil is processed in either CPF or Ansagan and then the oil is trucked to Ansagan for offloading. Currently gas is sold via an existing gas pipeline (max. 5.5 MMscfd capacity).

Table 17: The Workover and Reactivation Activity, Emir Block

Field	Activity	2022	2023	2024	2025	2026	2027	Total	Wells
Kariman	Workover	6	1	—	—	—	—	**7**	K117, K121, K113, K6, K123, K15 and K16
	Sidetrack	1	—	—	—	—	1	**2**	NK3ST1 and K121ST1
	Gas Injector	3	1	—	—	—	—	**4**	Conversion (K119, K1, K113 and K117)
Dolinnoe	Workover	4	—	—	—	—	—	**4**	D5, D3, D6 and D12
Yessen	Workover	2	1	—	—	—	—	**3**	Y1, Y3 and Y4
Emir	Workover	2	—	—	—	—	—	**2**	E1 and E6
Aksaz	Workover	3	—	—	—	—	—	**3**	A105, A106 and A3
Total		**21**	**3**	**0**	**0**	**0**	**1**	**25**	

Notes:

1. Well K7 and K11 have been completed prior to 31 December 2021, it's part of Developed Producing

2. K119 has been converted to gas injector and injection will commence in March 2022.

Table 18: The Approved Drilling Schedule, Emir Block

Field	Activity	2022	2023	2024	2025	2026	2027	Totals
Aksaz	HW	0	0	0	0	0	0	0
	VW	0	0	0	0	0	0	0
	LAT	0	0	0	0	0	0	0
Dolinnoe	HW	0	0	0	0	0	0	0
	VW	0	1	1	0	0	0	2
	LAT	0	0	0	0	0	0	0
Kariman	HW	3	3	1	2	1	0	10
	VW	1	2	3	0	0	0	6
	LAT[1]	0	0	0	0	0	0	0
	INJ	0	0	0	2	1	1	4
Emir	HW	0	0	0	0	0	0	0
	VW	0	0	0	0	0	0	0
	LAT	0	0	0	0	0	0	0
Yessen	HW	0	0	0	0	0	0	0
	VW	0	0	1	1	0	0	2
	LAT	0	0	0	0	0	0	0
Totals		**4**	**6**	**6**	**5**	**2**	**1**	**24**

Notes:

1. Sidetrack of NK3 and K121 have been included in Proved Developed non-Producing.

2. HW=Horizontal Well; VW=Vertical Well; LAT=Lateral side-tracked from an existing well; INJ=Water injection well.

3. Water injector will produce oil for first three year before commencing water injection.

8.3 GaffneyCline Production Forecasts

GaffneyCline accepts the Drilling Schedule from the approved Business Plan across all its cases. The forecast period was from 1 January 2022 until the Emir Block license expiry date in 2046. GaffneyCline used Decline Curve Analysis (DCA) to predict performance of existing wells; forecasts for new wells were generated based on type curves based on historical performance and input from MIEH.

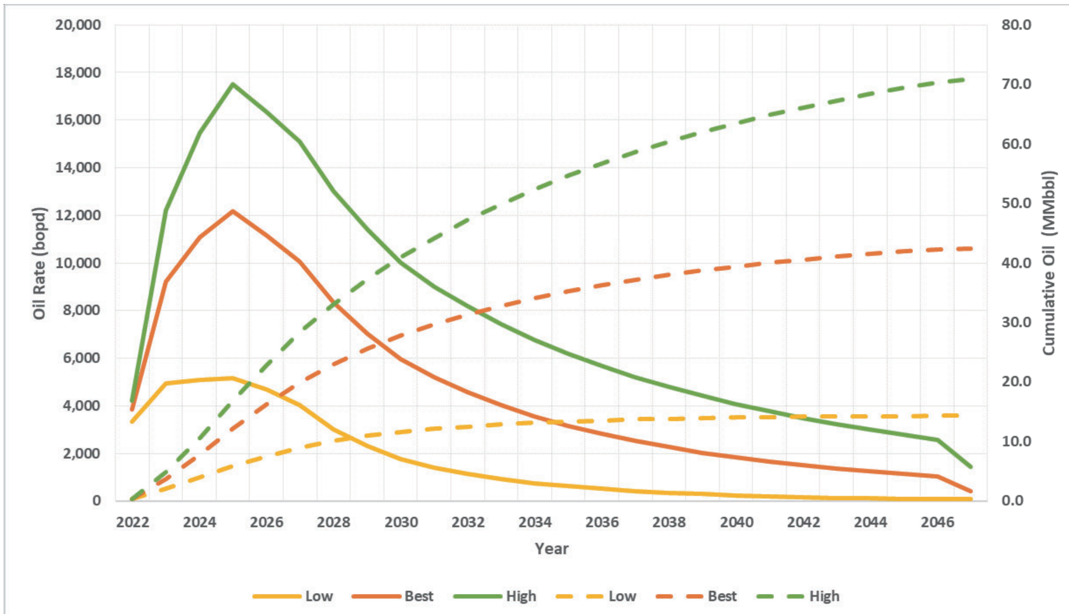
MIEH plans secondary recovery by means of water and gas injection to maintain reservoir pressure and to improve sweep for the T2B and T2C reservoirs in the Kariman field. There are several reports on Kariman core flood experiments and reservoir dynamic modelling with water and gas injection. GaffneyCline has used the experimental results in analytical calculations and input from MIEH and analogue data to come up with a range of recovery factors for the T2B and T2C reservoirs for the secondary recovery. The recoveries for best and high estimates due to gas injection from Block 1–3 and Block 5 have been included into Reserves category and no Reserve assigned for the low estimate. Gas injection will commence in Kariman via well K119 in March 2022 once the downhole packer is installed in February 2022. The incremental oil recovery from gas injection has a wide range of uncertainty and so the benefit will need to be revisited in the future as additional production data becomes available. The Operator has indicated that no water flood program will be conducted in Block 4 and 7; and there is no firm plan for secondary recovery (gas injection) for Block 6, therefore potential oil recoveries for all three estimates for Block 6 only will remain as Contingent Resources.

Expected Ultimate Recovery (EUR) and recovery factor (RF) for the Low, Best and High cases are summarised in **Table 19** with the corresponding production profiles shown in **Figure 20**. Note that these EUR volumes are not Reserves as they include past production and have not been subjected to an ELT.

Table 19: Estimated EUR for Producing Fields, Emir Block

		Expected Ultimate Recovery by 2046, MMBbl					
Field	**Reservoir**	**Low Case**	**RF**	**Best Case**	**RF**	**High Case**	**RF**
Kariman	T2B, T2C	25.3	26.1%	52.3	25.9%	79.0	32.2%
Dolinnoe	T2A-II, T2-B, T2-C	4.3	8.0%	5.3	6.1%	6.9	5.5%
Emir	T2-A-II+T2-B, T2-C	0.1	0.5%	0.1	0.5%	0.2	0.6%
Yessen	T2A-II, T2B, T2C	0.5	6.3%	0.5	2.6%	0.6	1.4%
Total		**30.2**		**58.2**		**86.7**	

Figure 20: Production Forecast, Emir Block



Note: Cumulative Oil Production to 31 December 2021 is 16.3 MMBbl

8.4 Contingent Resources

Contingent Resources volumes from gas injection into Block 6 are listed in **Table 20**.

Table 20: Contingent Resources, Kariman Field

Field	Reservoir	Status	Units	1C	2C	3C
Kariman	T2-B, T2-C	Oil	MMBbl	2.9	9.8	16.7
		Gas	Bscf	7.3	19.4	27.6
Total		**Oil**	**MMBbl**	**2.9**	**9.8**	**16.7**
		Gas	**Bscf**	**7.3**	**19.4**	**27.6**

Notes:

1. Gross Field Contingent Resources are 100% of the volumes estimated to be technically recoverable from the block 6 in the event that the secondary recovery projects go ahead.

2. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the projects may not go ahead in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).

3. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

4. GaffneyCline has not conducted any economic assessment of the Contingent Resources, and no economic cut-off has been applied.

Contingent Resources volumes from Table 24 in the Reach Energy Report[2] for several discovered reservoirs in the Emir Block whose development is contingent upon performing more studies and a commitment to invest in their development are reported in **Table 21**. GaffneyCline did not conduct any analysis for these discoveries.

Table 21: Contingent Resources, Potential Development Projects, Emir Block

Field	Reservoir	Status	Units	1C	2C	3C
Kariman	T2-A	Oil	MMBbl	0.25	1.04	2.83
		Gas	Bscf	0.19	0.69	1.74
Aksaz	T3	Oil	MMBbl	0.09	0.24	0.52
		Gas	Bscf	0.03	0.08	0.16
	T2-A-I	Gas	Bscf	0.51	1.31	2.71
Yessen	T2A-II, T2B, T2C	Oil	MMBbl	0.54	2.60	7.11
		Gas	Bscf	0.40	1.32	3.98
Borly	T2	Oil	MMBbl	0.13	0.98	5.07
		Gas	Bscf	0.09	0.61	2.93
Aidai	T2	Oil	MMBbl	0.19	1.47	5.62
		Gas	Bscf	0.94	5.83	19.11
Total		**Oil**	**MMBbl**	**1.20**	**6.33**	**21.15**
		Gas	**Bscf**	**2.16**	**9.84**	**30.63**

Notes:

1. Gross Field Contingent Resources are 100% of the volumes estimated to be technically recoverable from the block in the event that potential development projects go ahead.

2. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the projects may not go ahead in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).

3. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

4. GaffneyCline has not conducted any economic assessment of the Contingent Resources, and no economic cut-off has been applied.

5. Totals may not exactly equal the sum of the individual entries because of rounding.

9 Economics

GaffneyCline has conducted an economic limit test (ELT) to assess Proved (1P), Proved plus Probable (2P) and Proved plus Probable plus Possible (3P) Reserves. The economic limit (or economic cut-off) is defined as the time when the maximum cumulative net cashflow occurs for a project.

These assessments have been based upon GaffneyCline's understanding of the fiscal and contractual terms governing the asset, and the various economic and commercial assumptions described herein. The effective date of the evaluation is 31 December 2021.

9.1 Fiscal Terms

The key fiscal terms which apply before the Economic Limit is determined are described below. Taxes such as the Corporate Income Tax (CIT) and Excess Profit Tax (EPT), which do not affect the Economic Limit, are not included in the descriptions.

Mineral Extraction Tax (MET) is charged on domestic and export revenue. The MET rates are levied on a sliding scale based on annual production as below.

Annual Production *(MMT)*	**Domestic Rate** *(%)*	**Export Rate** *(%)*	**Annual Production** *(MMT)*	**Domestic Rate** *(%)*	**Export Rate** *(%)*
<0.25	2.5	5.0	3.0–4.0	5.5	11.0
0.25–0.5	3.5	7.0	4.0–5.0	6.0	12.0
0.5–1.0	4.0	8.0	5.0–7.0	6.5	13.0
1.0–2.0	4.5	9.0	7.0–10.0	7.5	15.0
2.0–3.0	5.0	10.0	>10.0	9.0	18.0

LPG is sold domestically and it is assumed domestic MET rates are applicable. Gas is also sold to the domestic Kazakhstan market and MET rates range between 0.5% and 1.5%, depending on the level of annual production.

Export Rent Tax (ERT) applies to all hydrocarbons sold internationally and the applicable rate is dependent on the international oil price level according to the following table.

Oil Price *(US$/Bbl)*	**Rental Tax Rate** *(%)*	**Oil Price** *(US$/Bbl)*	**Rental Tax Rate** *(%)*	**Oil Price** *(US$/Bbl)*	**Rental Tax Rate** *(%)*
<40	0.0	90–100	19.0	150–160	27.0
40–50	7.0	100–110	21.0	160–170	29.0
50–60	11.0	110–120	22.0	170–180	30.0
60–70	14.0	120–130	23.0	>180	32.0
70–80	16.0	130–140	25.0	—	—
80–90	17.0	140–150	26.0	—	—

GaffneyCline's Brent crude oil price scenario has been used for the ERT calculation.

Customs Duty rate is calculated applying the monthly average market price for crude oil for the prior period, as determined by the authorized state body. It is assumed to be 6.95 bbl/ton.

Oil Price *(US$/Bbl)*	**Export Duty** *(US$/T)*	**Oil Price** *(US$/Bbl)*	**Export Duty** *(US$/T)*	**Oil Price** *(US$/Bbl)*	**Export Duty** *(US$/T)*
<25	0	70–75	70	135–145	160
25–30	10	75–80	75	145–155	176
30–35	20	80–85	80	155–165	191
35–40	35	85–90	85	165–175	206
40–45	40	90–95	90	175–185	221
45–50	45	95–100	95	>185	236
50–55	50	100–105	100	—	—
55–60	55	105–115	115	—	—
60–65	60	115–125	130	—	—
65–70	65	125–135	145	—	—

Other Taxes include training, property, environment and payroll taxes

9.2 Price Assumptions

The product price scenarios have been generated for crude oil, gas and LPG based on the information provided by Client and GaffneyCline Brent Crude Price Scenario in 1Q 2022 as summarized in **Table 22**.

- Oil and Condensate

  — 70% of produced oil is sold to the export market at a discount price of US$3.43/bbl to Brent crude. In addition, there is a transportation fee of US$6.4/bbl to reach the point of sale as Ust-Luga.

  — The remaining oil and condensate are sold at the domestic market. The domestic market is at 35% of Brent crude price. Further, there is a transportation fee of US$1.8/bbl to reach Atyrau.

  — The price differential for the exported crude, the relationship to Brent for the domestic market and LPG and the transportation fees for both export and domestic market is assumed constant throughout the field life.

- LPG

  The LPG is sold to the domestic market at an average price of US$146/T. The price is held constant throughout the field life.

- Gas:

  Gas is sold to the domestic market at 7,200 KzTg/Mcm. The price is held constant throughout the field life. With the provided exchange rate of 426 KzTg/US$, the gas price is converted to US$0.48/Mscf.

Table 22: Gaffney Cline Brent Crude Oil Price Scenario 1Q 2022

Year	Brent Crude Price *(US$/Bbl)*
2022	75.92
2023	71.00
2024	70.00
2025	71.40
2026	72.83
Thereafter	+2% p.a.

Note: Prices shown are in nominal US$ terms.

9.3 Cost Assumptions

Capital expenditure estimates, unit drilling costs and profiles have been provided by MIEH, based on the drilling program and including costs for hook-up and commissioning of the newly built CPF facility and a new oil pipeline **(Table 23)**. Operating expenditure has been calculated based on MIEH's 2021 OPEX expenditure and previous assessments, consisting of variable costs of US$2.25/Bbl and fixed costs of US$6.0 MM p.a. CAPEX and OPEX have been escalated at 2% p. a. from 2023 onwards. ABEX is assumed at 1% of OPEX.

Table 23: Approved Capital Expenditure Estimates, Emir Block

Field	2022	2023	2024	2025	2026	2027
Drilling	14.10	27.40	26.40	22.70	9.20	7.80
Facilities	6.25	28.00	14.60	4.90	0.20	—
Totals	**20.35**	**55.40**	**41.00**	**27.60**	**9.40**	**7.80**

Note: Costs shown are in real US$2022 terms.

9.4 Results

The economic cut-offs for the Proved, Proved plus Probable and Proved plus Probable plus Possible Reserves cases are 2033, 2046 and 2046 respectively.

Reserves volumes are shown in **Table 2** and **Table 3** in the Summary section of this report.

Detailed 2P profiles for oil, sales gas and LPG are shown in **Appendix IV** and the Reserve ELT cashflows are shown in **Appendix V**.

The Pre-tax Net Present Values (NPVs) as of 31 December 2021 attributable to MIEH's Net Reserves are summarised in **Table 24**. The economic analyses, which were performed to estimate the Pre-tax NPVs have been run based on GaffneyCline's understanding of the fiscal terms governing the assets and the price assumptions discussed in **Section 9.2**. No adjustments have been made for cash balances, inventories, indebtedness, or other balance sheet effects.

Table 24: Pre-Tax Net Present Value of Emir Block Reserves as of 31 December 2021

Attributable to MIEH 40% Working Interests

Discount Rate	**1PDP** *(US$ MM)*	**1P** *(US$ MM)*	**2PDP** *(US$ MM)*	**2P** *(US$ MM)*	**3P** *(US$ MM)*
0%	15	60	24	409	846
5%	14	45	22	280	540
7.5%	13	39	21	238	447
10%	13	35	20	205	377
12.5%	13	31	19	178	323
15%	12	27	18	157	280

Notes:

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the assets.

2. The NPVs reported do not represent an opinion as to the market value of a property or any interest therein.

3. The NPVs reported do not reflect any contribution from Contingent Resources.

It should be clearly noted that the NPVs of future revenue potential of a petroleum property, such as those discussed in this report, do not represent a GaffneyCline opinion as to the market value of that property, nor any interest in it. In assessing a likely market value, it would be necessary to take into account a number of additional factors including: reserves risk; perceptions of economic and sovereign risk; potential upsides and/or downsides; other benefits, encumbrances or charges that may pertain to a particular interest; and the competitive state of the market at the time. GaffneyCline has explicitly not taken such factors into account in deriving the reference NPVs presented herein.

10 Technical Qualifications

GCA is an independent international energy advisory group of 50 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis.

Staff members who prepared this report are professionally qualified with appropriate educational qualifications (either in geoscience, petroleum engineering or related discipline) and levels of experience and expertise to perform he work. The key team members:

- **Peter Adam** holds BSc's in Mechanical and Petroleum Engineering and is a member of the Society of Petroleum Engineers, Indonesian Petroleum Association and Society of Petroleum Evaluation Engineers. He is a Chartered Petroleum Engineer in Australia and has over 25 years' experience in Field Development Planning, Reservoir Management, Reserves Assessment, Asset Valuations, Economic Analysis and People Development.

- **Linganathan Sivachalam** holds a M.Sc. in Oil and Gas Engineering, is a Chartered Petroleum Engineer with over 27 years of broad international petroleum engineering experience; including management of a commercial PVT Laboratory.

- **Yundong Hu** holds a PhD in Petroleum Geology, is a member of the Society of Petroleum Engineers and a Registered Mineral Reserve Evaluator of the P.R. China and has more than 35 years' industry experience.

NOTICE

This document is confidential and has been prepared for the exclusive use of the Client or parties named herein. It may not be distributed or made available, in whole or in part, to any other company or person without the prior knowledge and written consent of GaffneyCline. No person or company other than those for whom it is intended may directly or indirectly rely upon its contents. GaffneyCline is acting in an advisory capacity only and, to the fullest extent permitted by law, disclaims all liability for actions or losses derived from any actual or purported reliance on this document (or any other statements or opinions of GaffneyCline) by the Client or by any other person or entity.

It has been a pleasure preparing this Competent Person's Report of the Emir-Oil Concession in Kazakhstan for MIE Holdings Corporation. Please contact the undersigned if you have any questions.

Yours sincerely,
Gaffney, Cline & Associates (Consultants) Pte Ltd

signature

Project Manager
Yundong Hu, *Senior Advisor*

signature

Reviewed by
Peter Adam, *Principal Advisor*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests in Shares, Underlying Shares and debentures

Set out below are the interests or short positions as at the Lates Practicable Date of the Directors and chief executive of the Company in the Shares, underlying shares and debentures (if any) of the Company or any its associated corporations (within the meaning of Part XV of the SFO) as required (i) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), (ii) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"):

Interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations

Name of Director	Name of corporation	Capacity/ nature of interest	Number of shares (including options to be exercised)/ underlying shares interested	Approximate percentage of interest in the corporation
Mr. Zhang Ruilin	the Company	Interest of controlled corporation *(Note 2)*	1,573,995,234 (L)	48.14%
		Interest of controlled corporation *(Note 3)*	88,521,234 (S)	2.70%
		Beneficial owner *(Note 4)*	7,987,000 (L)	0.24%
Mr. Zhao Jiangwei	the Company	Interest of controlled corporation *(Note 2)*	1,573,995,234 (L)	48.14%
		Interest of controlled corporation *(Note 3)*	88,521,234 (S)	2.70%
		Beneficial owner *(Note 4)*	7,887,000 (L)	0.24%

Name of Director	Name of corporation	Capacity/ nature of interest	Number of shares (including options to be exercised)/ underlying shares interested	Approximate percentage of interest in the corporation
Mr. Zhang Ruilin	Far East Energy Limited ("**FEEL**")	Interest of controlled corporation *(Note 2)*	8,999	9.99%
Mr. Zhao Jiangwei	FEEL	Interest of controlled corporation *(Note 2)*	9,000	10%
Mr. Mei Jianping	the Company	Beneficial owner	1,267,933 (L)	0.03%
Mr. Guo Yanjun	the Company	Beneficial owner	800,000 (L)	0.02%
Mr. Mei Liming	the Company	Beneficial owner	15,909,290 (L)	0.48%

Notes:

1. The letter "L" denotes long position in the Shares; and "S" denotes short position in the Shares.

2. FEEL is held by Mrs. Zhang, Mr. Zhang and Mr. Zhao as to 80%, 9.99% and 10%, respectively. On 24 May 2013, 72,000 shares in FEEL were issued to Mrs. Zhang, 399,070,000 shares in the Company were transferred from FEEL to Champion International Energy Limited ("**Champion**"), 399,070,000 shares in the Company were transferred from FEEL to Orient International Energy Limited ("**Orient**"), 475,000,000 shares in the Company were transferred from FEEL to New Sun International Energy Limited ("**New Sun**") and 141,460,000 shares in the Company were transferred from FEEL to Power International Energy Limited ("**Power**"). Each of Champion, Orient, New Sun and Power is a wholly-owned subsidiary of Sunrise Glory Holdings Limited, which is itself a wholly-owned subsidiary of FEEL. Mrs. Zhang, Mr. Zhang and Mr. Zhao have entered into an Acting-in-Concert Agreement under which they agreed to act in concert in relation to all matters that require the decisions of the shareholders of FEEL. Pursuant to the Acting-in-Concert Agreement, if a unanimous opinion in relation to the matters that require action in concert is unable to be reached, Mr. Zhang shall be allowed to vote on his, Mrs. Zhang's and Mr. Zhao's shares. The long interests which FEEL, Mr. Zhang and Mr. Zhao have in the 1,573,995,234 shares in the Company include (i) the beneficial interests which FEEL has (and in the case of Mr. Zhang and Mr. Zhao, the indirect beneficial interests which they have (through their shareholdings in FEEL)) in the 1,469,600,000 shares in the Company held by FEEL through its subsidiaries, (ii) the 7,887,000 share options granted to Mr. Zhang, (iii) the 7,887,000 share options granted to Mr. Zhao, (iv) the call option which FEEL, Mr. Zhang and Mr. Zhao have been granted, pursuant to a put and call option agreement, over the 88,521,234 shares in the Company held by Mr. Ho Chi Sing through Celestial Energy Limited ("**Celestial**"), as further described in note (3) below, and (v) the 100,000 shares owned by Mr. Zhang himself.

3. The Company was informed on 8 November 2014 that TPG Star Energy Ltd. and Celestial had entered into a sale and purchase agreement pursuant to which Celestial had acquired and TPG Star Energy Ltd. has sold 211,855,234 ordinary shares in the Company.

On 8 November 2014, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into a put and call option agreement in relation to certain of the shares (the "**PCA**"), pursuant to which the parties to the PCA have agreed to grant each other certain rights in relation to their Shares, and section 317(1)(a) of the SFO applies. Mr. Ho Chi Sing is the sole shareholder of Celestial.

In particular, Mr. Ho Chi Sing, through his holdings in Celestial, is beneficially interested in 211,855,234 shares in the Company. Pursuant to the abovementioned PCA, Mr. Ho Chi Sing and Celestial have been granted a put option to resell/put 211,855,234 shares to FEEL, Mr. Zhang and Mr. Zhao.

On 6 January 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the letter agreement in relation to the PCA. The Board was also informed that Great Harmony International Ltd ("**Great Harmony**") and Celestial have entered into a sale and purchase agreement pursuant to which Great Harmony has agreed to acquire (or procure its affiliate or other person or company designated by it to acquire) and Celestial has agreed to sell 211,855,234 ordinary shares in the Company.

On 18 January 2017, 23 February 2017 and 7 March 2017, Celestial had ceased to have 53,334,000 shares, 40,000,000 shares and 30,000,000 shares in long and short positions, respectively.

On 17 May 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 17 May 2017.

On 30 November 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 30 November 2017.

On 14 April 2018, the Controlling Shareholders and Celestial entered into the second supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 15 April 2018.

On 26 November 2018, the Controlling Shareholders and Celestial entered into the third supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 26 November 2018.

On 30 May 2019, the Controlling Shareholders and Celestial entered into the fourth supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 30 May 2019.

On 15 January 2020, the Controlling Shareholders and Celestial entered into the fifth supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 15 January 2020.

On 4 January 2021, the Controlling Shareholders and Celestial entered into the sixth supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 4 January 2021.

On 18 February 2022, the Controlling Shareholders and Celestial entered into the seventh supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 18 February 2022.

4. These interests represent interests in outstanding stock options under the share option scheme and stock incentive compensation plan. Mr. Zhang's interests includes the 100,000 shares held by himself.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the following persons, not being a Director or chief executive of the Company, had an interest in the shares and underlying shares of the Company (i) as recorded in the register required to be kept under section 336 of the SFO or (ii) as required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, the details of which are set out below:

Interests and short positions in the shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
Ms. Zhao Jiangbo	Interest of controlled corporation *(Note 2)*	1,573,995,234 (L) 88,521,234 (S)	48.14% 2.70%
FEEL	Interest of controlled corporation *(Note 2)*	1,573,995,234 (L) 88,521,234 (S)	48.14% 2.70%
Mr. Ho Chi Sing	Interest of controlled corporation *(Note 3)*	1,573,995,234 (L) 88,521,234 (S)	48.14% 2.70%
Celestial Energy Limited ("**Celestial**")	Interest of controlled corporation *(Note 3)*	1,573,995,234 (L) 88,521,234 (S)	48.14% 2.70%
Billion Capital Shine Inc.	Person having a security interest in Shares *(Note 4)*	1,472,300,000 (L)	45.03%
China Orient Asset Management (International) Holding Limited	Interest of controlled corporation *(Note 4)*	1,472,300,000 (L)	45.03%
China Orient Asset Management Co., Ltd.	Interest of controlled corporation *(Note 4)*	1,472,300,000 (L)	45.03%
Dong Yin Development (Holdings) Limited	Interest of controlled corporation *(Note 4)*	1,472,300,000 (L)	45.03%

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
Wise Leader Assets Ltd.	Interest of controlled corporation *(Note 4)*	1,472,300,000 (L)	45.03%
Flying Investments Limited	Beneficial owner *(Note 5)*	199,160,000 (L)	6.09%
Fung Wing Nam Florence	Interest of controlled corporation *(Note 5)*	199,160,000 (L)	6.09%

Notes:

1. The letter "L" denotes long position in the Shares; "S" denotes short position in the Shares.

2. FEEL is held by Mrs. Zhang, Mr. Zhang and Mr. Zhao as to 80%, 9.99% and 10%, respectively. On 24 May 2013, 72,000 shares in FEEL were issued to Mrs. Zhang, 399,070,000 shares in the Company were transferred from FEEL to Champion International Energy Limited ("**Champion**"), 399,070,000 shares in the Company were transferred from FEEL to Orient International Energy Limited ("**Orient**"), 475,000,000 shares in the Company were transferred from FEEL to New Sun International Energy Limited ("**New Sun**") and 141,460,000 shares in the Company were transferred from FEEL to Power International Energy Limited ("**Power**"). Each of Champion, Orient, New Sun and Power is a wholly-owned subsidiary of Sunrise Glory Holdings Limited, which is itself a wholly-owned subsidiary of FEEL. Mrs. Zhang, Mr. Zhang and Mr. Zhao have entered into an Acting-in-Concert Agreement under which they agreed to act in concert in relation to all matters that require the decisions of the shareholders of FEEL. Pursuant to the Acting-in-Concert Agreement, if a unanimous opinion in relation to the matters that require action in concert is unable to be reached, Mr. Zhang shall be allowed to vote on his, Mrs. Zhang's and Mr. Zhao's shares. The long interests which FEEL, Mr. Zhang and Mr. Zhao have in the 1,573,995,234 shares in the Company include (i) the beneficial interests which FEEL has (and in the case of Mr. Zhang and Mr. Zhao, the indirect beneficial interests which they have (through their shareholdings in FEEL)) in the 1,469,600,000 shares in the Company held by FEEL through its subsidiaries, (ii) the 7,887,000 share options granted to Mr. Zhang, (iii) the 7,887,000 share options granted to Mr. Zhao, (iv) the call option which FEEL, Mr. Zhang and Mr. Zhao have been granted, pursuant to a put and call option agreement, over the 88,521,234 shares in the Company held by Mr. Ho Chi Sing through Celestial, as further described in note (3) below, and (v) the 100,000 shares owned by Mr. Zhang himself.

3. The Company was informed on 8 November 2014 that TPG Star Energy Ltd. and Celestial had entered into a sale and purchase agreement pursuant to which Celestial had acquired and TPG Star Energy Ltd. has sold 211,855,234 ordinary shares in the Company.

   On 8 November 2014, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into a put and call option agreement in relation to certain of the shares, pursuant to which the parties to the PCA have agreed to grant each other certain rights in relation to their Shares, and section 317(1)(a) of the SFO applies. Mr. Ho Chi Sing is the sole shareholder of the Celestial.

   In particular, Mr. Ho Chi Sing, through his holdings in Celestial, is beneficially interested in 211,855,234 shares in the Company. Pursuant to the abovementioned PCA, Mr. Ho Chi Sing and Celestial have been granted a put option to resell/put 211,855,234 shares to FEEL, Mr. Zhang and Mr. Zhao.

On 6 January 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the letter agreement in relation to the PCA. The Board was also informed that Great Harmony International Ltd ("**Great Harmony**") and Celestial have entered into a sale and purchase agreement pursuant to which Great Harmony has agreed to acquire (or procure its affiliate or other person or company designated by it to acquire) and Celestial has agreed to sell 211,855,234 ordinary shares in the Company.

On 18 January 2017, 23 February 2017 and 7 March 2017, Celestial had ceased to have 53,334,000 shares, 40,000,000 shares and 30,000,000 shares in long and short positions, respectively.

On 17 May 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 17 May 2017.

On 30 November 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 30 November 2017.

On 14 April 2018, the Controlling Shareholders and Celestial entered into the second supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 15 April 2018.

On 26 November 2018, the Controlling Shareholders and Celestial entered into the third supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 26 November 2018.

On 30 May 2019, the Controlling Shareholders and Celestial entered into the fourth supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 30 May 2019.

On 15 January 2020, the Controlling Shareholders and Celestial entered into the fifth supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 15 January 2020.

On 4 January 2021, the Controlling Shareholders and Celestial entered into the sixth supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 4 January 2021.

On 18 February 2022, the Controlling Shareholders and Celestial entered into the seventh supplemental agreement to the second letter agreement in relation to the PCA. For further details, please refer to the Company's announcement dated 18 February 2022.

4. Billion Capital Shine Inc. has a security interest in the 1,472,300,000 shares of the Company in which China Orient Asset Management (International) Holding Limited, Wise Leader Assets Ltd., Dong Yin Development (Holdings) Limited and China Orient Asset Management Co., Ltd., were deemed to be interested in by virtue of SFO because:

   (1) Billion Capital Shine Inc. is 100% owned by China Orient Asset Management (International) Holding Limited;

   (2) China Orient Asset Management (International) Holding Limited is 50% owned by Dong Yin Development (Holdings) Limited and 50% owned by Wise Leader Assets Ltd.;

   (3) Wise Leader Assets Ltd. is 100% owned by Dong Yin Development (Holdings) Limited; and

(4) Dong Yin Development (Holdings) Limited is 100% owned by China Orient Asset Management Co., Ltd.

(5) The interest is held directly by Flying Investments Limited, which is 100% controlled by Fung Wing Nam Florence.

Saved as disclosed above in this section, as at the Latest Practicable Date, the Company had not been notified of any other persons (other than the Directors or chief executive of the Company) who had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO.

Saved as disclosed in this section, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business, apart from the business of the Company, which competes or is likely to compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules (as if each of them was a controlling Shareholder).

4. INTEREST IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, so far is known to the Directors, there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

On 20 November 2009, Mr. Zhang Ruilin and Mr. Zhao Jiangwei, each an Executive Director, entered into a service contract with the Company, which is renewable yearly unless terminated (i) with 12 months' notice by either party, or (ii) by the Company upon certain events such as the Director having committed serious or persistent breaches of the service contract. Should the Company terminate the service contract, Mr. Zhang Ruilin and Mr. Zhao Jiangwei will be entitled to receive severance payment equivalent to one year's basic pay under the service contract, save for circumstances described in item (ii) above. Save as disclosed above, none of our Directors have entered into a service contract with us which does not expire or which is not determinable by us within one year without the payment of compensation (other than statutory compensation).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited accounts of the Company were made up.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts (the "**Experts**") who have been named in this circular or have given opinion or advice contained in this circular:

Name	Qualification
Gaffney, Cline & Associates	Competent person
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)

As at the Latest Practicable Date, each of the Experts had no shareholding in any member of the Group, nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2021, the date to which the latest published audited accounts of the Group was made up.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) and/or references to its name in the form and context in which they respectively appear.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Remaining Group within two years immediately preceding the issue of this circular and are material:

(i) the Agreement;

(ii) the framework agreement dated 31 December 2021 entered into between Jilin Guotai Petroleum Development Company* (吉林省國泰石油開發有限公司) ("**Jilin Guotai**"), Songyuan Guotai Petroleum Technology Service Company* (松原市國泰石油科技服務有限公司) ("**Guotai Technology**") and the Company, pursuant to which Jilin Guotai and Guotai Technology agreed to provide, and procure that their respective subsidiaries (if any) provide, to the Group from time to time certain oilfield services;

(iii) the restructuring support agreement ("**RSA**") dated 28 October 2021 entered into between, among others, the Company and certain creditors of the Company in relation to the restructuring of the Group ("**Restructuring**");

(iv) in connection with the Restructuring, the indenture dated 30 March 2022 entered into between the Company and Madison Pacific Trust Limited (as trustee) in relation to the issuance of up to US$272,871,159 aggregate principal amount of the Company's senior notes with a scheduled maturity in 2024;

(v) in connection with the Restructuring, the amendment and restatement deed dated 30 March 2022 entered into between the Company, Gobi Energy Limited ("**Gobi Energy**"), MIE Maple, Asia Dynamic Energy Corporation, MIE New Ventures Corporation, Asia Dynamic Energy Trading Corporation, the Seller and the Purchaser in relation to a HK$1,255,000,000 term loan facility agreement originally dated 10 August 2017 and a HK$476,350,000 term loan facility agreement originally dated 1 February 2018;

(vi) in connection with the Restructuring, the amendment and restatement deed dated 30 March 2022 entered into between, among others, the Company, MIE International Resources Limited and China Huarong Macau (HK) Investment Holdings Limited in relation to an up to US$100,000,000 term loan facility agreement originally dated 23 January 2018 and as amended and restated on 30 September 2019;

(vii) in connection with the Restructuring, the amendment and restatement deed dated 30 March 2022 entered into between the Company, Gobi Energy and Brilliant Shine Golbal Limited in relation to a US$147,210,000 term loan facility agreement originally dated 8 June 2017; and

(viii) in connection with the Restructuring, the account control and intercreditor agreement dated 30 March 2022 entered into between the Company, Madison Pacific Trust Limited (as trustee) and certain other parties in relation to certain finance documents and the operation of certain escrow accounts.

Save as disclosed above, the Group did not enter into any material contracts which was or might be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within the two years immediately preceding and including the Latest Practicable Date.

9. MISCELLANEOUS

This circular is prepared in both English and Chinese. In the event of inconsistency, the English version shall prevail.

10. DOCUMENTS ON DISPLAY

The following documents will be published on the websites of the Company at http://www.mienergy.com.cn/ and of the Stock Exchange at www.hkex.com.hk for a period of 14 days from the date of this circular (both days inclusive):

(a) the Agreement;

(b) the Side Letter;

(c) the accountant's report of the Group from PricewaterhouseCoopers for the three years ended 31 December 2021 including a note on the financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(d) the report on unaudited pro forma financial information of the Remaining Group from PricewaterhouseCoopers, the text of which is set out in Appendix III of this circular;

(e) the Competent Person's Report prepared by Gaffney, Cline & Associates, the text of which is set out in Appendix IV to this circular; and

(f) the written consents given by each of the Experts as referred to in the paragraph headed "Experts and Consents" in this Appendix.

11. GENERAL

As at the Latest Practicable Date:

(a) The registered office of the Company was at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(b) The Company's Beijing office was at Room 1301–1303, North Star Times Tower, No. 8 North Star East Road, Chaoyang District, Beijing 100101, the People's Republic of China and its principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The branch share registrar and transfer office of the Company was at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company was Ms. Yuen Wing Yan, Winnie, a Chartered Secretary, a Chartered Governance Professional and a Fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

(e) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

MIE HOLDINGS CORPORATION
MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of MIE Holdings Corporation (the "**Company**") will be held at Units 5906–5912, 59th Floor, The Center, 99 Queen's Road Central, Hong Kong on Friday, June 24, 2022 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modification or amendment the following resolution:

ORDINARY RESOLUTION

"**THAT**

1. The agreement dated 20 January 2022 entered into by and among the Company, Palaeontol Coöperatief U.A., MIE Maple Investments Limited and Hammer Capital Asia Limited, as amended from time to time (the "**Agreement**"), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

2. the authorisation to any one of the directors of the Company (the "**Directors**"), or any other person authorised by the board of Directors (the "**Board**") from time to time, for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things and take all such steps as he or she or they may in his or her or their absolute discretion consider to be necessary, expedient, desirable or appropriate to give effect to and implement the Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Agreement or the transactions contemplated thereunder be and are hereby approved, ratified and confirmed."

By Order of the Board
MIE Holdings Corporation
Zhang Ruilin
Chairman

Hong Kong, June 6, 2022

Notes:

(1) All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the website of the Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

(2) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company.

(3) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at 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 not later than 10:30 a.m. on Wednesday, June 22, 2022 (Hong Kong time). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) Where there are joint holders of any share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(5) For determining the entitlement to attend and vote at the meeting, 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 period no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, June 20, 2022 (Hong Kong time), being the last registration date.

As at the date of this notice, the Board comprises (1) the executive Directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei and Mr. Lam Wai Tong; (2) the non-executive Directors namely Mr. Guan Hongjun and Ms. Gao Yan; and (3) the independent non-executive Directors namely Mr. Mei Jianping, Mr. Liu Ying Shun, Mr. Yeung Yat Chuen, Mr. Guo Yanjun and Mr. Ai Min.