MIE HOLDINGS CORPORATION
MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1555)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018 RESUMPTION OF TRADING

SUMMARY OF OPERATIONAL PERFORMANCE

- The Board of Directors considers the business performance from a geographic perspective being the PRC, North America and Corporate and others. Performance results from North America segment is presented as discontinued operations in the consolidated financial statements of the Group.

- In 2018, the revenue from PRC segment increased by 20.1% to RMB789.7 million as compared with 2017. Loss for the year from the segments other than North America decreased by 12.2% to RMB832.3 million as compared with RMB948.1 million in 2017 and the respective loss per share was RMB0.29 in 2018. In 2018, loss for the year from North America segment increased by 140.0% to RMB363.5 million as compared with 2017 and the respective loss per share was RMB0.12 in 2018.

- In 2018, the EBITDA of the Group from segments other than North America segment increased by RMB638.3 million to RMB136.1 million from negative RMB502.2 million in 2017 and the respective adjusted EBITDA increased by RMB137.2 million to RMB409.1 million.

- The gross crude oil and gas production of the Group from China, Canada and the United States was 20.91 million barrels of oil equivalent ("**MMBOE**"), increased by 121.8% from 9.43 MMBOE in 2017. The net oil and gas production attributable to the Group in 2018 was 18.45 MMBOE, an increase of 173.0% from 6.76 MMBOE in 2017.

- The net crude oil production attributable to the Group in 2018 was 3.14 million barrels, an increase of 31.8% from 2.38 million barrels in 2017.

  — The net crude oil production of Daan and Moliqing Oilfields in Northeast China in 2018 was 1.85 million barrels, a decrease of 6.6% from 1.98 million barrels in 2017.

— The net crude oil production of Canlin Energy Corporation ("**Canlin Energy**" or "**Canlin**") in 2018 was 1.29 million barrels, an increase of 228.1% from 0.39 million barrels in 2017.

- Net natural gas production attributable to the Group in 2018 was 88,789 million standard cubic feet ("**MMscf**"), representing an increase of 250.6% from the net production of 25,321 MMscf in 2017. The net natural gas production of Canlin Energy in 2018 was 88,787 MMscf.

- The net production of natural gas liquid ("**NGL**") in 2018 was 0.51 million barrels, representing an increase of 228.4% from 0.16 million barrels in 2017.

- In 2018, the average daily net crude oil production was 8,777 barrels decreased by 9.9% from 9,745 barrels in 2017. The daily average net natural gas production was 243.26 MMscf decreased by 11.6% from 275.17 MMscf in 2017. The daily average NGL production was 1,399 barrels, decreased by 17.2% from 1,690 barrels in 2017.

- In 2018, the average oil price of the Group was US$59.07 per barrel, having increased US$10.11 per barrel from US$48.96 per barrel in 2017. The average natural gas price was US$1.28 per thousand stand cubic feet ("**Mscf**"), having decreased US$0.22 per Mscf from US$1.50 per Mscf in 2017.

- 28 vertical wells were drilled in the Daan oilfield in 2018, 13 more as compared with 2017.

- On September 24, 2018, the Group announced the disposal of Canlin Energy and its oil and gas assets in Canada through the sale of all the issued shares of Maple Marathon Investments Limited ("**Maple Marathon**"), parent company of Canlin Energy, at a consideration of US$250,000,000 (equivalent to approximately HK$1,961,950,000), constituting a very substantial disposal under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

2019 Guidance

The following is our preliminary guidance for 2019. The Group will closely monitor the situation and may revise work program as warranted in a timely manner, based on changes in oil prices. We believe that it is very important to maintain a high degree of flexibility in order to ensure the stability and profitability of our business in this current volatile oil price environment.

	Interest	Numbers of Wells	Group Net Capex Investment	Net production
	(%)	*(net)*	*(millions of US$)*	
China Onshore Projects (Daan, Moliqing) — Crude oil	Daan foreign contractor 100%	29	29 *(Note 1)*	5,400–5,700 BOPD
	Moliqing foreign contractor 10%			5,400–5,700 BOPD
Canada (Canlin)	100% *(Note 2)*		18 *(Note 3)*	39,433–43,283 BOE/day
— Crude oil & NGL				2,900–3,500 BOPD
— NGL				700–950 BOPD
— Natural gas				215,000–233,000 Mscf/day
Group Total		29	47	44,833–48,983 BOE/day

Notes:

(1) The capital expenditures of China Onshore Projects contemplates drilling (mainly network fracturing), transforming oil wells to water injection wells, hole filling fracturing , ground engineering and equipment procurement.

(2) The Group holds 100% common shares of Canlin Energy.

(3) The net capital expenditure budget of Canlin Energy for the year of 2019 (twelve months basis) is US$18 million.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2018	2017
	Note	***RMB'000***	*RMB'000*
			Re-presented
Continuing operations			
Revenue from contracts with customers	*3*	**789,704**	657,365
Depreciation, depletion and amortisation		**(329,318)**	(350,034)
Taxes other than income taxes	*4*	**(18,875)**	(14,214)
Employee benefit expense		**(155,747)**	(121,190)
Purchases, services and other direct costs		**(138,013)**	(98,398)
Distribution costs		**(15,792)**	(17,055)
General and administrative expense		**(120,551)**	(104,150)
Net impairment losses on financial assets		**(115,978)**	(728,154)
Impairment charges		**(37,471)**	(35,524)
Other (losses)/gains, net	*5*	**(41,852)**	22,116
Finance income		**22,603**	47,985
Finance costs		**(614,352)**	(38,290)
Share of losses of investments in associates		**(9,318)**	(63,023)
Loss before income tax		**(784,960)**	(842,566)
Income tax expense	*6*	**(47,412)**	(105,485)
Loss for the year from continuing operations		**(832,372)**	(948,051)
Discontinued operations			
Loss for the year from discontinued operations		**(363,463)**	(151,425)
Loss for the year		**(1,195,835)**	(1,099,476)
Other comprehensive income			
Continuing operations			
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		**–**	8,168
Share of other comprehensive income of investments in associates		**–**	(3,758)
Transfer to profit or loss upon disposal of investments in associate		**(2,602)**	–
Currency translation differences		**(143,667)**	133,665

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000 Re-presented
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		**(19,900)**	–
Discontinued operations			
Items that may be reclassified to profit or loss			
Currency translation differences		**(129,629)**	32,995
Other comprehensive (losses)/income for the year, net of tax		**(295,798)**	171,070
Total comprehensive loss for the year		**(1,491,633)**	(928,406)
Loss for the year attributable to:			
Owners of the Company		**(1,195,793)**	(1,099,476)
Non-controlling interests		**(42)**	–
		(1,195,835)	(1,099,476)
Loss for the year attributable to owners of the Company arising from:			
— Continuing operations		**(832,330)**	(948,051)
— Discontinued operations		**(363,463)**	(151,425)
		(1,195,793)	(1,099,476)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(1,491,591)**	(928,406)
Non-controlling interests		**(42)**	–
		(1,491,633)	(928,406)
Total comprehensive loss attributable to owners of the Company arising from:			
— Continuing operations		**(998,499)**	(809,976)
— Discontinued operations		**(493,092)**	(118,430)
		(1,491,591)	(928,406)

		Year ended December 31,	
		2018	2017
	Note	***RMB'000***	*RMB'000*
			Re-presented
Loss per share for loss attributable to owners of the Company for the year (expressed in RMB per share)			
Basic loss per share	*7*		
— Continuing operations		**(0.29)**	(0.34)
— Discontinued operations		**(0.12)**	(0.05)
		(0.41)	(0.39)
Diluted loss per share	*7*		
— Continuing operations		**(0.29)**	(0.34)
— Discontinued operations		**(0.12)**	(0.05)
		(0.41)	(0.39)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, **2018** *RMB'000*	2017 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**1,798,839**	7,719,859
Intangible assets		**137,351**	708,193
Investments in associates		**–**	182,541
Deferred income tax assets		**601**	334
Available-for-sale financial assets		**–**	67,132
Derivative financial instruments		**–**	25,652
Financial assets at fair value through other comprehensive income		**46,458**	–
Prepayments, deposits and other receivables	*9*	**357,212**	727,966
Restricted cash		**45,465**	43,285
		2,385,926	9,474,962
Current assets			
Inventories		**22,390**	16,745
Prepayments, deposits and other receivables	*9*	**615,035**	751,426
Trade and note receivables	*10*	**69,791**	407,035
Derivative financial instruments		**–**	342,763
Available-for-sale financial assets		**–**	111,228
Financial assets at fair value through profit or loss		**17,755**	–
Restricted cash		**–**	72,012
Cash and cash equivalents		**28,115**	132,172
		753,086	1,833,381
Assets of disposal group classified as held for sale	*14*	**5,105,887**	–
		5,858,973	1,833,381
Total assets		**8,244,899**	11,308,343

	Note	As at December 31, **2018** ***RMB'000***	2017 *RMB'000*
Equity			
Equity attributable to owners of the Company			
Share capital		**1,068,796**	1,068,796
Other reserves		**(143,782)**	47,265
Accumulated losses		**(2,630,296)**	(1,384,495)
		(1,705,282)	(268,434)
Non-controlling interests		**13,265**	(27)
Total shareholders' deficit		**(1,692,017)**	(268,461)
Liabilities			
Non-current liabilities			
Borrowings	*11*	**1,786,066**	4,520,457
Deferred income tax liabilities		**114,669**	589,281
Trade and note payables	*12*	**65,871**	26,529
Provisions, accruals and other liabilities	*13*	**77,252**	2,620,311
Derivative financial instruments		**–**	5,574
Financial liabilities at fair value through profit or loss		**–**	1,067,626
		2,043,858	8,829,778
Current liabilities			
Trade and note payables	*12*	**220,283**	392,984
Provisions, accruals and other liabilities	*13*	**272,685**	718,598
Current income tax liabilities		**2,649**	97,233
Financial liabilities at fair value through profit or loss		**313,969**	–
Derivative financial instruments		**–**	9,200
Borrowings	*11*	**2,549,888**	1,529,011
		3,359,474	2,747,026
Liabilities of disposal group classified as held for sale	*14*	**4,533,584**	–
		7,893,058	2,747,026
Total liabilities		**9,936,916**	11,576,804
Total shareholders' deficit and liabilities		**8,244,899**	11,308,343

1. GENERAL INFORMATION

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

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

The Company's shares were listed on the Stock Exchange of Hong Kong Limited ("**SEHK**") on December 14, 2010.

The financial statements are presented in Chinese Renminbi ("**RMB**") unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company (the "**Board of Directors**") on April 23, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). The consolidated financial statements have been prepared on the historical cost basis.

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

2.1 Basis of preparation

2.1.1 Going Concern

In the recent years, the Group's performance was significantly affected by the relatively low commodity prices of oil and gas and the high borrowing costs for general funding and re-financing purposes. During the year ended December 31, 2018, the Group incurred a net loss of RMB1,195.8 million, which comprised of losses of RMB832.3 million from continuing operations and RMB363.5 million from discontinued operations.

As at December 31, 2018, the Group had a shareholders' deficit of RMB1,692.0 million and the Group's current liabilities and liabilities of disposal group classified as held for sale exceeded its current assets and assets of disposal group classified as held for sale by RMB2,034.1 million. Included in the current liabilities and liabilities of disposal group classified as held for sale as at December 31, 2019 were (i) senior notes of US$315.9 million (the "**2019 Notes**") (see (a) below); (ii) convertible bonds of HK$340 million ("**Convertible Bonds**") (see (b) below); (iii) a borrowing of US$60 million, repayable on demand ("**On-Demand Borrowing**") (see (c) below); and (iv) a term loan facility of US$100 million (approximately RMB686.3 million) (the "**Maple Marathon Loan**") advanced to the disposal group, Maple Marathon (see (d) below). In addition, as at December 31, 2018, the Group had non-current borrowings of RMB1,786.1 million, the principals of which were all repayable more than twelve months from the year end in accordance with the respective borrowing agreements. The Group only had cash and cash equivalents of RMB28.1 million as at December 31, 2018.

As at December 31, 2018 and up to the date of approval of these financial statements, no borrowings, notes or bonds were overdue and the Group did not commit any events of default, cross-default or breach of covenants and restrictive terms and conditions stipulated in the borrowing and financing agreements entered into by the Group.

The above 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, the Directors have 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) The Company had issued 2019 Notes which totalled US$315.9 million with a maturity date on April 25, 2019. On March 1, 2019 the Company announced an offer to the holders of the 2019 Notes to exchange the existing notes, together with the interest payable on maturity of US$11.2 million, for a new package of senior notes and cash payment with a later maturity date (the "**Exchange Offer**"). The Exchange Offer expired on April 10, 2019 and noteholders representing approximately 84% of the total principal amount outstanding at December 31, 2018 accepted the Exchange Offer. In accordance with the related terms and conditions, the Company issued new senior notes in the principal amount of US$248.4 million bearing annual interest at 13.750% due on April 12, 2022, made a cash payment of approximately US$26.1 million (equivalent to approximately RMB183.1 million) to these holders on April 15, 2019, and the corresponding 2019 Notes were cancelled accordingly. The Company will settle the remaining 2019 Notes with principal plus accrued interest totalling US$52.6 million (equivalent to approximately RMB369.0 million) upon maturity on April 25, 2019.

    To fund the Exchange Offer and repayment of the remaining 2019 Notes upon maturity, the Company issued private notes (the "**Private Notes**") (Note 15(c)) totalling US$68 million (equivalent to approximately RMB477.4 million) on April 12, 2019. The Private Notes are redeemable on April 12, 2020, but are subject to mandatory early redemption upon the repayment of all or part of the Public Notes by the Group as defined in (b) below.

(b) The Convertible Bonds issued by the Company of HK$340 million (equivalent to approximately RMB297.9 million) were redeemable on January 26, 2021, and secured against the shares of Maple Marathon (see (d) below). The terms of the Convertible Bonds were amended on January 22, 2019 and February 27, 2019 (and are referred to as the "**Public Notes**" after the amendment) whereby the conversion rights to the Company's shares were cancelled; and the related exercise date of the put option for redemption ("**Put Option**") was changed from January 26, 2019 to any date on or after March 15, 2019 until maturity. While management of the Company will continue its efforts in persuading the holder not to exercise the Put Option until the Group has the financial resources to repay the Public Notes, based on the latest communications with the holder of the Public Notes, there is no indication that the holder has any current intention to exercise the Put Option until the charges over the shares of Maple Marathon are required to be released for the completion of the Maple Marathon Disposal as defined under (d) below.

(c) The Company will continue its ongoing efforts in convincing the lender of the On-Demand Borrowing of US$60 million (equivalent to approximately RMB411.8 million) which is scheduled to be repaid in full by February 1, 2020, not to exercise its contractual right to request the Company for early immediate repayment of the principal amount and any accrued interest prior to the scheduled repayment date. Based on latest communications, there is no indication that the lender has any current intention to exercise its right to demand immediate repayment.

(d) The Company entered into an agreement on September 24, 2018 with Far East Energy International Limited ("**Far East Energy**"), a company wholly owned by Mr. Zhang Ruilin, the Chairman and controlling shareholder of the Company, to sell its entire 100% equity interest in Maple Marathon (the "**Maple Marathon Disposal**") to mitigate the liquidity pressure of the Group. According to the disposal agreement, the completion of the Maple Marathon Disposal requires, amongst other procedures, payment to the Company by Far East Energy of net cash proceeds of US$150 million; and that the Maple Marathon Loan of US$100 million (approximately RMB686.3 million) due on September 6, 2019 should be retained by Far East Energy for repayment. The completion date of the Maple Marathon Disposal was originally January 31, 2019 and has now been extended to September 30, 2019, through a supplemental agreement dated January 30, 2019.

    Management of the Company will continue its efforts in communicating with the buyer and monitoring the completion of the Maple Marathon Disposal in accordance with the agreements. To the best knowledge of the Directors, the Maple Marathon Disposal is expected to be completed in the near future whereby the cash consideration will be made available to the Group to enable it to meet its liabilities and obligations.

(e) The Group will also continue to generate operating cash flows and actively seek other alternative financing, including borrowings and proceeds from disposal of assets or business, to finance the settlement of its existing financial obligations and future operating and capital expenditures.

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, 2018. 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 the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the 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 would depend upon the following:

(i) successful completion of the Maple Marathon Disposal in the near future so that the net cash proceeds will be made available to the Group for fulfilment of its debt and other obligations; and that the Maple Marathon Loan will be retained by Far East Energy for repayment in accordance with the disposal agreement such that the Group does not need to obtain additional sources of financing to repay such loan upon the due date.

(ii) the holder of the Public Notes not exercising the Put Option prior to the completion of the Maple Marathon Disposal; in order not to trigger earlier redemption of the Public Notes and the Private Notes;

(iii) the lender of the On Demand Borrowing due to be repaid on February 1, 2020 not exercising its right to demand immediate payment;

(iv) the Group's ability to continuously comply with the terms and conditions of all the outstanding borrowings and financing agreements and to successfully negotiate with the lenders to obtain waivers or to revise the existing terms and conditions as and when needed such that the existing borrowings and financing will continue to be available to the Group ; and

(v) the Group's ability to generate operating cash flows and obtain additional sources of financing, other than those mentioned above, to finance the Group's oil exploration and production businesses and other funding needs.

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

2.2 Re-presentation of comparative figures

In preparing the Company's consolidated financial statements for the year ended December 31, 2018, the directors of the Company have identified the matter disclosed in Note 14 requiring re-presentation of comparative figures. As a result of the impact on comparatives, prior year financial statements had to be re-presented.

2.3 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2018:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Annual Improvements 2014–2016 cycle
- Annual Improvements to IFRS Standards 2015–2017 cycle

The Group had to change its accounting policies and make adjustments following the adoption of IFRS 9 and IFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB18.3 million. Of these commitments, approximately RMB3.3 million relate to short-term leases which will both be recognised on a straight-line basis as expense in profit or loss.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

3. SEGMENT INFORMATION

The segment information provided to the Board of Directors for the reportable segments for the year ended December 31, 2018 is as follows:

	Year ended December 31, 2018			
	PRC	North America	Corporate and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
From continuing operations				
Segment revenue	**789,704**	**–**	**–**	**789,704**
Depreciation, depletion and amortisation	**(329,101)**	**–**	**(217)**	**(329,318)**
Taxes other than income taxes *(Note 4)*	**(9,574)**	**–**	**(9,301)**	**(18,875)**
Employee benefit expense	**(52,024)**	**–**	**(103,723)**	**(155,747)**
Purchases, services and other direct costs	**(138,013)**	**–**	**–**	**(138,013)**
Distribution costs	**(15,792)**	**–**	**–**	**(15,792)**
General and administrative expense	**(19,768)**	**–**	**(100,783)**	**(120,551)**
Net impairment losses on financial assets	**14,740**	**–**	**(130,718)**	**(115,978)**
Impairment charges	**(34,154)**	**–**	**(3,317)**	**(37,471)**
Other gains/(losses) , net	**547**	**–**	**(42,399)**	**(41,852)**
Finance income	**90**	**–**	**22,513**	**22,603**
Finance costs	**(96,139)**	**–**	**(518,213)**	**(614,352)**
Share of losses of investments in associates	**–**	**–**	**(9,318)**	**(9,318)**
Profit/(loss) before income tax	**110,516**	**–**	**(895,476)**	**(784,960)**
Income tax (expense)/credit	**(50,404)**	**–**	**2,992**	**(47,412)**
Profit/(loss) for the year from continuing operations	**60,112**	**–**	**(892,484)**	**(832,372)**
From discontinued operations				
Loss for the year from discontinued operations	**–**	**(363,463)**	**–**	**(363,463)**
Profit/(loss) for the year	**60,112**	**(363,463)**	**(892,484)**	**(1,195,835)**

	As at December 31, 2018		
	PRC	Corporate and others	Total
	RMB'000	*RMB'000*	*RMB'000*
Total assets	**2,129,227**	**1,009,785**	**3,139,012**
Total assets includes:			
Property, plant and equipment	**1,797,877**	**962**	**1,798,839**
Intangible assets	**137,351**	**–**	**137,351**
Additions to non-current assets	**143,534**	**(148)**	**143,386**
Total liabilities	**1,459,940**	**3,943,392**	**5,403,332**

	Year ended December 31, 2017			
	PRC	North America Re-presented	Corporate and others	Total
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
From continuing operations				
Segment revenue	657,365	–	–	657,365
Depreciation, depletion and amortisation	(349,853)	–	(181)	(350,034)
Taxes other than income taxes *(Note 4)*	(3,579)	–	(10,635)	(14,214)
Employee benefit expense	(65,721)	(2,566)	(52,903)	(121,190)
Purchases, services and other direct costs	(98,398)	–	–	(98,398)
Distribution costs	(17,055)	–	–	(17,055)
General and administrative expense	(20,426)	(2,394)	(81,330)	(104,150)
Net impairment losses on financial assets	(82,339)	–	(645,815)	(728,154)
Impairment charges	(2,000)	–	(33,524)	(35,524)
Other gains, net *(Note 5)*	4,049	–	18,067	22,116
Finance income	366	21	47,598	47,985
Finance costs	(57,618)	(64)	19,392	(38,290)
Share of losses of investments in associates	–	(63,023)	–	(63,023)
Loss before income tax	(35,209)	(68,026)	(739,331)	(842,566)
Income tax expense	(105,267)	(2)	(216)	(105,485)
Loss for the year from continuing operations	(140,476)	(68,028)	(739,547)	(948,051)
From discontinued operations				
Loss for the year from discontinued operations	–	(151,425)	–	(151,425)
Loss for the year	(140,476)	(219,453)	(739,547)	(1,099,476)

Note: Due to the matter as described in Note 14, as the disposal group represents the majority of the North American operation of the Group, the Board of the Directors classified the disposal group as held for sale and discontinued operations in accordance with IFRS 5. Accordingly, the Group re-presented its corresponding information for the year ended December 31, 2017 on a consistent basis.

	As at December 31, 2017			
	PRC	North America	Corporate and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	1,991,778	7,375,871	1,940,694	11,308,343
Total assets includes:				
Property, plant and equipment	1,788,647	5,930,102	1,110	7,719,859
Intangible assets	3,047	705,146	–	708,193
Investments in associates	–	182,541	–	182,541
Additions to non-current assets	(617,851)	6,629,195	(99)	6,011,245
Total liabilities	1,160,834	6,354,276	4,061,694	11,576,804

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

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

Entity-wide information

Analysis of revenue by category

	2018	2017
	RMB'000	*RMB'000*
		Re-presented
Sales of oil and gas	**786,768**	652,977
Provision of services	**2,936**	4,388
	789,704	657,365

For the year ended December 31, 2018, total revenue from crude oil sales in the PRC amounting to RMB786.8 million (2017: RMB652.2 million) are derived solely from PetroChina. Crude oil sales revenues from PetroChina accounted for 99.6% (2017: 99.2%) of the Group's total revenue from continuing operations for the year ended December 31, 2018.

4. TAXES OTHER THAN INCOME TAXES

	2018	2017
	RMB'000	*RMB'000*
PRC:		
Petroleum special profit charge	**5,319**	–
Urban construction tax and education surcharge	**4,168**	3,488
Others	**87**	91
	9,574	3,579
Corporate and other segments:		
Withholding tax and others *(Note)*	**9,301**	10,635
	18,875	14,214

Note:

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

5. OTHER (LOSSES)/GAINS, NET

	2018	2017
	RMB'000	*RMB'000*
Losses arising from disposal of an associate	**(19,927)**	–
Losses on financial instruments	**(35,560)**	(9,287)
Gains on disposal of a subsidiary	**–**	46,318
Provisions for prepayment	**(1,087)**	(459)
Others	**14,722**	(14,456)
	(41,852)	22,116

6. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current income tax	**(321)**	2,537
Deferred income tax	**47,733**	102,948
	47,412	105,485

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

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

	2018	2017
	RMB'000	*RMB'000*
Loss before income tax	**(784,960)**	(842,566)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**22,216**	70,329
Tax effects of:		
— Income not subject to tax	**–**	(205)
— Expenses not deductible for tax purposes	**5,767**	2,358
— Tax losses and temporary differences for which no deferred income tax asset was recognised	**19,406**	30,796
— Adjustments in respect of prior years	**23**	2,207
Tax charge	**47,412**	105,485

The weighted average effective tax rate was negative 6% (2017: negative 13%) for the year ended December 31, 2018.

7. LOSS PER SHARE

(a) Basic

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

	2018	2017
	RMB'000	*RMB'000*
Loss for the year attribute to owners of the company arising from:		
— Continuing operations	**(832,330)**	(948,051)
— Discontinued operations	**(363,463)**	(151,425)
Weighted average number of ordinary shares *(thousands)*	**2,908,985**	2,813,638
Basic loss per share		
— Continuing operations	**(0.29)**	(0.34)
— Discontinued operations	**(0.12)**	(0.05)
	(0.41)	(0.39)

(b) Diluted

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

	2018	2017
	RMB'000	*RMB'000*
Loss attributable to owners of the Company used to determine diluted earnings per share		
— Continuing operations	**(832,330)**	(948,051)
— Discontinued operations	**(363,463)**	(151,425)
Weighted average number of ordinary shares *(thousands)*	**2,908,985**	2,813,638
Weighted average number of diluted potential ordinary shares for diluted earnings per share *(thousands)*	**2,908,985**	2,813,638
Diluted loss per share		
— Continuing operations	**(0.29)**	(0.34)
— Discontinued operations	**(0.12)**	(0.05)
	(0.41)	(0.39)

8. DIVIDENDS

The directors do not propose dividend for the year (2017: Nil).

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Amounts due from related parties		
— Palaeontol B.V. *(Note (c))*	**886,901**	926,495
— Others	**32,558**	210,269
Loans granted to third parties *(Note (d))*	**135,075**	243,527
Other receivables	**352,020**	341,872
Consideration receivables from disposals of subsidiaries	**332,535**	506,177
Deposits	**77,205**	55,541
Interest receivable	**549**	14,996
Advances to employees	**8,460**	7,167
	1,825,303	2,306,044
Less: loss allowance	**(906,358)**	(891,973)
	918,945	1,414,071
Prepaid expenses	**46,955**	63,471
Advances to suppliers	**159,764**	154,180
Less: loss allowance *(Note (b))*	**(153,417)**	(152,330)
	972,247	1,479,392
Current	**615,035**	751,426
Non-current	**357,212**	727,966
	972,247	1,479,392

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

(b) Movements on loss allowance of prepayment

	2018	2017
	RMB'000	*RMB'000*
At January 1,	**152,330**	151,871
Loss allowance	**1,087**	459
At December 31,	**153,417**	152,330

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

The other classes within prepayments and other receivables do not contain assets made loss allowances. The maximum exposure to credit risk at the reporting date is the carrying value of each class of prepayments and other receivables mentioned above.

(c) The amounts due from Palaeontol B.V. consists of shareholder loans and other receivables. The shareholder loans are unsecured, bear interest ranging from 4.9% to 5.0% per annum and maturing in 2019, 2023 and 2036 respectively.

(d) Loans granted to third parties bear interests ranging from 8.0% to 15.0% per annum and repayable within one year. Included in the balance was an amount of RMB96.4 million, which is secured against 50% shareholding of an indirectly wholly-owned subsidiary of the borrower. The remaining balances are unsecured. As of December 31, 2018, except for the RMB4.8 million which have not fell due, the remaining are fully impaired.

10. TRADE AND NOTE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables from:		
— PSC partners	**65,801**	79,874
— Third parties	**4,575**	349,691
	70,376	429,565
Less: loss allowance	**(585)**	(22,530)
	69,791	407,035

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

(b) **Aging analysis**

	2018	2017
	RMB'000	*RMB'000*
Up to 30 days	**66,862**	195,149
31–180 days	**1,000**	190,529
Over 180 days	**2,514**	43,887
	70,376	429,565

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables.

The Group does not hold any collateral as security.

11. BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Current		
— Senior notes	**2,160,423**	1,185,328
— Secured bank loans	**–**	260,045
— On-Demand Borrowing *(Note 2.1.1)*	**378,279**	–
— Other loans	**11,186**	83,638
	2,549,888	1,529,011
Non-current		
— Senior notes	**–**	2,034,974
— Secured bank loans	**–**	610,289
— Other loans	**1,786,066**	1,875,194
	1,786,066	4,520,457
	4,335,954	6,049,468

The Group entered into an agreement with a third party to borrow an amount of US$60 million, which bears an interest of 8% per annum and is repayable by February 1, 2020 ("**On-Demand Borrowing**"). Pursuant to the agreement, the lender has the right to request the Group for immediate repayment of the principal amount and any accrued interest.

12. TRADE AND NOTE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade and note payables	**286,154**	419,513
Less: non-current portion of trade and note payables	**(65,871)**	(26,529)
Current	**220,283**	392,984

(a) Aging analysis

	2018	2017
	RMB'000	*RMB'000*
Up to 6 months	**194,904**	382,575
6 months–1 year	**37,089**	13,589
1–2 years	**37,479**	6,202
2–3 years	**4,141**	3,300
Over 3 years	**12,541**	13,847
	286,154	419,513

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

13. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

	2018	2017
	RMB'000	*RMB'000*
Asset retirement obligations *(Note (a))*	**12,414**	2,672,886
Interest payable	**64,148**	101,526
Salary and welfare payable	**28,553**	53,149
Withholding and other tax payable	**67,633**	57,532
Advance from customers	**22**	548
Other payables	**177,167**	453,268
	349,937	3,338,909
Less: non-current portion of		
— Asset retirement obligations	**(12,414)**	(2,567,526)
— Withholding tax payable	**(64,838)**	(52,741)
— Interest payable	**–**	(44)
	(77,252)	(2,620,311)
Current	**272,685**	718,598

(a) Movements of asset retirement obligations

	2018	2017
	RMB'000	*RMB'000*
At January 1,	**2,672,886**	15,757
Additional provision	**154**	206
Acquisitions through business combination	**1,739**	2,704,135
Change in accounting estimate		
— Discontinued operations	**(886,504)**	–
Disposals	**(243,053)**	(6,065)
Accretion expenses		
— Continuing operations	**326**	642
— Discontinued operations	**138,920**	41,733
Settlement of obligations	**(40,427)**	(12,080)
Transfer to disposal group classified as held for sale	**(1,520,608)**	–
Exchange differences	**(111,019)**	(71,442)
At December 31,	**12,414**	2,672,886

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

14. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

On September 24, 2018, the Group has entered into the Disposal Agreement with Far East Energy for the sale of its entire 100% equity investment the Disposal Group at a consideration of US$250.0 million (equivalent to approximately RMB1,715.8 million). The Purchaser is an investment holding company incorporated under the laws of the British Virgin Islands and indirectly wholly owned by the controlling shareholder of the Company, Mr. Zhang Ruilin. This transaction is a related party transaction.

According to the Disposal Agreement, the consideration will be settled by: (i) US$150.0 million (equivalent to approximately RMB1,029.5 million) shall be paid in cash by the Purchaser to the Group upon completion; and (ii) US$100.0 million (equivalent to RMB686.3 million) shall be retained by the Purchaser for the repayment of the Maple Marathon Loan born at the Maple Marathon upon its maturity on September 6, 2019.

According to the Disposal Agreement, the completion of the Maple Marathon Disposal was expected to take place by January 31, 2019 (the "**Long Stop Date**"). On January 30, 2019, the Company entered into an amendment agreement with the Purchaser and according to which, the Company and the Purchaser agreed to extend the Long Stop Date to September 30, 2019. The extension is due to the delay in the process of the Purchaser to timely obtain sufficient financial resources in order to complete the Maple Marathon Disposal, including the payment to the Group of US$150.0 million upon completion and the repayment of the Maple Marathon Loan of US$100.0 million when due.

Despite the above delay in the expected completion date, as at December 31, 2018, the Board of the Directors still regard the completion of the Maple Marathon Disposal is highly probable and the disposal is expected to complete before the maturity date of the Maple Marathon Loan, September 6, 2019. The Board of the Directors therefore resolved to classify the assets and liabilities related to the Disposal Group as held for sale in accordance with IFRS 5 as at December 31, 2018. As the Board of the Directors expects the completion of the Maple Marathon Disposal to take place before the maturity of the Maple Marathon Loan, the Maple Marathon Loan with a principal amount of US$100.0 million is also included in the liabilities of disposal group classified as held for sale as at December 31, 2018.

As the Disposal Group represents the majority of the North American operation of the Group, the Disposal Group is classified discontinued operations in accordance with IFRS 5. As required under IFRS 5, the comparative figures related to the discontinued operation have been re-presented on a consistent basis accordingly.

At the date of initial classified as held for sale, the carrying amount of the assets and liabilities related to the Disposal Group were lower than the fair value less cost to sell at as the date. Accordingly, no losses incurred due to re-measurement at the initial classification.

(a) Disposal groups classified as held for sale

The major classes of assets and liabilities of the Disposal Group are as follows:

Assets and liabilities of disposal group classified as held for sale

	As at December 31, 2018 *RMB'000*
Property, plant and equipment	**4,043,186**
Intangible assets	**614,635**
Derivative financial instrument	**148,563**
Trade receivables	**234,042**
Prepayments, deposits and other receivables	**63,347**
Cash and cash equivalents	**2,114**
	5,105,887

Liabilities of disposal group classified as held for sale

	As at December 31, 2018 *RMB'000*
Trade and other payables	**278,057**
Provisions, accruals and other liabilities	**1,652,952**
Borrowings	**1,063,363**
Deferred income tax liabilities	**513,435**
Financial liabilities at fair value through profit or loss	**992,551**
Current income tax liabilities	**33,226**
	4,533,584
Total net assets of the disposal group	**572,303**

(b) Discontinued operations

The financial performance information for the years ended December 31,2018 and 2017 are presented below:

	2018	2017
	RMB'000	*RMB'000*
Revenue	**1,766,647**	468,617
Other gains, net	**260,387**	53,521
Expenses	**(2,422,991)**	(691,868)
Loss before income tax	**(395,957)**	(169,730)
Income tax expense	**32,494**	18,305
Losses from discontinued operation	**(363,463)**	(151,425)
Exchange differences on translation of discontinued operations	**(129,629)**	32,995
Other comprehensive income from discontinued operation	**(493,092)**	(118,430)

15. SUBSEQUENT EVENTS

Other than those disclosed elsewhere in the consolidated financial statements, the Group had the following events occurred since the end of the reporting period:

(a) The terms of the Convertible Bonds were amended on January 22, 2019 and February 27, 2019 as Public Notes, whereby the conversion rights to the Company's shares were cancelled; and the related exercise date of the Put Option for redemption was changed from January 26, 2019 to any date on or after March 15, 2019 until maturity. Based on the latest communications between management of the Company and the holder of the Public Notes, there is no indication that the holder has any current intention to exercise the Put Option until the charges over the shares of Maple Marathon are required to be released for the completion of the Maple Marathon Disposal (Note 14).

(b) On March 1, 2019 the Company announced the Exchange Offer to the holders of the 2019 Notes to exchange the existing notes, together with the interests payable on maturity of US$11.2 million, for a new package of senior notes and cash payment with a later maturity date. The Exchange Offer expired on April 10, 2019 and noteholders representing approximately 84% of the total principal amount outstanding at December 31, 2018 accepted the Exchange Offer. In accordance with the related terms and conditions, the Company issued new senior notes in the principal amount of US$248.4 million bearing annual interest at 13.750% due on April 12, 2022 and made cash payment of approximately US$26.1 million (equivalent to approximately RMB183.1 million) ("**Early Exchange Consideration**") to these holders on April 15, 2019 and the corresponding 2019 Notes were cancelled accordingly. The Company will settle the remaining 2019 Notes with principal plus accrued interest totalling US$52.6 million (equivalent to approximately RMB369.0 million) upon maturity.

(c) To fund the Early Exchange Consideration and the Final Repayment, on April 12, the Company issued Private Notes to three independent parties in an aggregate principal amount of US$68.0 million. According to the relevant agreement, the Private Notes carry an interest rate of 15.0% per annum and the aggregate principal amount will be due on April 12, 2020.

BUSINESS REVIEW

Overview

Notwithstanding concerns over the China-US trade war and uncertainties around international political and economic risks in 2018, the global economy recovered moderately and Chinese economy remained generally stable with good momentum for growth. The OECD crude inventories returned to their normal levels, oil prices rebounded rapidly in 2018. Although oil prices fluctuated significantly in the second half of the year, the annual average price of oil remained at a higher level in recent years. However, Canadian natural gas prices in 2018 experienced the lowest level which was not seen in the past decade. The gas prices plummeted in the first half of 2018 before rebounding in the second half. The annual average price remained at the lowest level that can be seen in recent years. In response to the complicated economic environment of bullish global crude oil prices and suppressed Canadian natural gas prices, the Group increased capital expenditure in Daan for new drillings and enhanced production on vintage well bores. In the meantime, the Group 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 Group, the Group disposed of certain non-core assets in 2018. The disposals provided funding for the Group's working capital and partial repayment of outstanding debts.

During 2018, the gas and oil operational production and net production of the Group increased sharply compared with that of 2017. The Group's oil and gas production increased by 1.22 times to about 20.91 MMBOE compared with the amount of 2017. Net oil gas production increased by 1.73 times to about 18.45 MMBOE compared with the 2017. During the 2018, crude oil sales increased by 31.1% to approximately 3.12 million barrels from the 2017, while natural gas sales increased to 88,788 MMscf. Following the acquisition of Canlin in September 2017, the Group's oil and natural gas reserves, production capacity and sales were boosted substantially.

In 2018, the average realized crude oil price increased by 20.7% to US$59.07 per barrel as compared with that of 2017, and the average realized natural gas price dropped to US$1.28 per Mscf. In 2018, the revenue from China increased by 20.1% to RMB789.7 million as compared with 2017. In 2018, Loss for the year from the segments other than North America decreased by 12.2% to RMB832.3 million as compared with RMB948.1 million in 2017 and the respective loss per share was RMB0.29 in 2018. Loss for the year from North America segment increased by 140.0% to RMB363.5 million as compared with 2017 and the respective loss per share was RMB0.12 in 2018.

In 2018, the EBITDA of the Group from segments other than North America segment increased by RMB638.3 million to RMB136.1 million from negative RMB502.2 million in 2017 and the respective adjusted EBITDA increased by RMB137.2 million to RMB409.1 million.

In March 2018, the Group acquired the 10% foreign contractor's participating interest held by Global Oil Corporation ("**GOC**") under the PSC for each of the Daan oilfield and Moliqing oilfield ("**Daan PSC**" and "**Moliqing PSC**").

In August 2018, the Group disposed of the entire issued share capital of Condor Energy Technology LLC ("**Condor**").

In the first half of 2018, the Group disposed of certain oil and gas reserves and infrastructures, including gathering pipelines and an operated gas plant, in the Carrot Creek and Cyn Pem fields located in central Alberta, Canada.

In the second half of 2018, the Group disposed of certain oil and gas reserves and infrastructure, including collection facilities and pipelines, in the Spirit River in the northwestern part of Alberta, Canada.

On September 24, 2018, the Group announced that it would dispose of Canlin Energy and its oil and gas assets in Canada through the disposal of all the issued shares in Maple Marathon the parent company of Canlin Energy, at a consideration of US$250,000,000 (equivalent to approximately HK$1,961,950,000). As the transaction had not yet been completed, all assets under this item were classified as discontinued operations.

Following the acquisition and divestment exercises of the Group during 2018, based on the year-end 2018 oil and gas reserves and resources estimate prepared by independent consultants, the Group's Proved +Probable oil and gas reserves were 338.70 MMBOE, a 15% decrease from year-end 2017. The decrease in the Group's Proved +Probable oil and gas reserves was due to the disposal of oil and gas assets by the Group.

As of December 31, 2018, except for the thousands of production wells belonging to Canlin Energy, the Group operated a total of 2,392 wells, all of which are located in China. Due to the disposal of oil and gas assets and the optimization of personnel, the total headcount of the Group decreased from 1,495 as of December 31, 2017 to 1,385 as of December 31, 2018.

The following table provides a recap of the Group's key operational metrics and product prices for 2018:

	2018	2017	**% Change**	**2018 Guidance**
Average Daily Gross Production (BOE/day)	**57,770**	64,664	–10.7%	
Average Daily Net Production (BOE/day)	**50,720**	57,297	–11.5%	52,327–56,397
Average Daily Net Oil Production (barrels/day)	**8,777**	9,745	–9.9%	
Average Daily Net NGL Production (barrels/day)	**1,399**	1,690	–17.2%	
Average Daily Net Gas Production (Mscf/day)	**243,260**	275,170	–11.6%	

Notes:

(1) For reference purpose only, barrels of oil equivalent ("**BOE**") is calculated using the conversion factor of six Mscf of natural gas being equivalent to one barrel of oil

(2) Gross Production means total production from all assets of the Group

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

The following table is the summary of the expenditures incurred in our exploration, development and production activities for 2018:

(millions of RMB)	**Exploration expenditures**	**Development expenditures**	**Production/ operating expenditures**
China Onshore Projects (Daan, Moliqing)	–	103	160
Canada (Canlin Energy)	–	168	1,001
Total	–	271	1,161

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

  By increasing capital expenditures, drilling new wells and fracturing old wells, our projects in northeastern China maintained a relatively high level of production. In March 2018, the Group completed the acquisition of 10% participating interest in the foreign contractors' entitlement and obligations under the Daan PSC and Moliqing PSC from GOC, and currently holds a 100% and 10% participating interest in Daan PSC and Moliqine PSC, respectively. During 2018, the total gross operated production for Daan and Moliqing decreased by 7.3% from 4.65 million barrels in 2017 to 4.31 million barrels in 2018. Total net production allocated to the Group decreased by 6.5% from 1.98 million barrels in 2017 to 1.85 million barrels in 2018. During 2018, the gross operated production per day decreased by 4.4% to 12,248 barrels/day ("**BOPD**") as compared to 2017, and net production per day allocated to the Group decreased by 4.1% to 5,230 BOPD. With the recovery of international crude oil prices, the average oil price of Daan and Moliqing increased by 32.1% from US$48.89 per barrel in 2017 to US$64.56 per barrel in 2018. Based on rising oil prices, there were 28 vertical wells drilled in Daan in 2018. The total length of wells was 56,400 meters, and the average length per well was about 2,014 meters. Fracturing is one of the effective ways to enhance production of oil wells, the rapid increasing oil prices in the first half of 2018 prompted the Company to accelerate the acid fracturing of existing low-yield old oil wells to increase production of old wells. Direct lifting costs for Daan and Moliqing increased by US$3.89/barrel, or 45.9%, from US$8.48/barrel for 2017 to US$12.37/barrel for 2018. EBITDA per barrel for Daan and Moliqing increased by US$11.57/barrel, or 33.7%, from US$34.38/barrel for 2017 to US$45.95/barrel for 2018. The increase in EBITDA per barrel was primarily due to the rise in average realized oil price.

  By the end of 2018, the Group held a 34% interest in South China Sea Project. The oilfield development feasibility study report was reviewed by China National Offshore Oil Corp. ("**CNOOC**") in July 2018 and the Overall Development Plan ("**ODP**") was completed in December 2018. The successful development of the block would help the Group in gaining experiences in offshore petroleum operation.

- **North America Operations**

  — *Canada (Canlin Energy, Journey)*

  As at the end of 2018, the Group held 100% of the total issued common shares of Canlin Energy. In the first half of 2018, natural gas prices in Canada plummeted, the price of Canadian AECO natural gas reached its lowest level in recent years in June. Although the gas price rebounded after entering the winter season, it was still at a low level as compared to recent years. Canlin Energy implemented natural gas economic production cuts, reduced capital expenditures, shut down some uneconomic natural gas production facilities and reduced uneconomic gas production to cope with the depressed gas prices.

  As of the end of 2018, Canlin Energy's Proved + Probable reserves were 286.62 MMBOE, accounting for 84.6% of the Group's total reserves. During 2018, the net oil and gas production of Canlin Energy was 16.59 MMBOE, accounting for 89.9% of the Group's total net production for the year. Canlin Energy produced 45,465 BOPD, of which natural gas and NGL accounted for about 92.2%, and crude oil accounted for about 7.8%. Of the daily production of 45,465 barrels, crude oil was 3,524 barrels, NGL was 1,399 barrels, and natural gas was 243.3 MMscf.

  On September 24, 2018, in consideration of the Group's development strategy and funding needs, the Group and Far East Energy entered into the Disposal Agreement, the Group disposed of the oil and gas assets in Canada by selling all of the shares in Maple Marathon. The free cash flow contributed by the disposal will be critical to support the development and operation of the Group.

  Due to the development strategy of the Group, the Company fully divested its equity stake in Journey Energy Inc. in August 2018.

  — *USA (Condor)*

  In the United States, the Group operated Niobrara shale oil field asset through the subsidiary, Condor. The Group disposed of all the equity interest in Condor in August 2018.

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

  In Kazakhstan, we hold a 40% interest in Emir-Oil, which holds four production contracts and one exploration contract covering the Aksaz, Dolinnoe, Emir and Kariman producing oilfields. With the recovery in oil prices, as at the end of 2018, Emir-Oil had a total of 27 production wells. The daily production of crude oil in 2018 increased by 18.5% from 2,396 barrels per day in 2017 to 2,840 barrels per day.

Review of Reserves

The Group's net reserves for 2018 year-end were lower compared to 2017 year-end primarily driven by the divestment of certain of our non-core assets. Highlights of the Group's 2018 year-end reserves are as follows:

1. Overall, the Group's total net Proved ("**1P**") oil and gas reserves decreased by 17% to 213 million ("**BOE**", where 1 BOE = 6,000 cubic feet gas), total net Proved + Probable ("**2P**") oil and gas reserves decreased by 15% to 339 million BOE, and total net Proved + Probable + Possible ("**3P**") oil and gas reserves decreased by 15% to 366 million BOE*(Note)*.

2. The Group's net 1P oil reserves for 2018 decreased by 19% to 24.97 million barrels, while 2P net oil reserves decreased by 11% to 53.3 million barrels and 3P net oil reserves decreased by 14% to 74.26 million barrels respectively, reflecting the combined impact of the production related decrease of Canlin and Daan oilfield, the divestment of certain non-core assets, and partially offset by positive revisions of Emir-Oil reserves and the acquisition of 10% participating interest in the Daan oilfield.

3. Canlin's 1P and 2P reserves were 193 million BOE and 287 million BOE respectively at the year end of 2018 and these reserves represented 90% and 85% of the Group's net 1P and 2P reserves on BOE basis, of which approximately 90% was natural gas and the balance crude oil and NGL.

4. Based on the 2018 year-end reserves estimates reviewed by independent consultants, the Group's 2P net present value, before tax and discounted at 10% ("**NPV10**") was approximately US$1.7 billion, which represented 13% decrease from the reported 2017 year-end 2P NPV10 value of US$1.965 billion.

Note:

As per industry practice, exploration & production companies in Canada do not prepare or disclose possible reserves and Canlin have followed the same approach. Accordingly, the Group's total 3P reserves only include the 2P reserves of Canlin.

The following were the prices used to determine the reserves at the year-end of 2017 and 2018:

Segment	Basin	2018	2017
China — Gobi Energy	Songliao	Escalated price profile based on price projections published by Sproule for WTI Crude. An average differential for January to December of 2018 between WTI Cushing Spot and Daqing of -US$1.00 was used. The differential is assumed to remain constant in the future.	Escalated price profile based on price projections published by Sproule for WTI Crude. An average differential for 2017 January to November between WTI Cushing Spot and Daqing of –US$2.16 was used. The differential is assumed to remain constant in the future.
China — Petrobroad Copower	Pearl River Mouth	Escalated price profile based on price projections published by Sproule for Brent oil. The discount between Brent oil and Area 28/03 oil sales price is US$6.2 per barrel in the year of 2019 with 2% increase annually.	
Kazakhstan — Emir-Oil	Mangistau	Export oil at escalated price profile based on price projections published by GCA for Brent Crude which has been estimated to be US$41.58/Stock Tank Barrel in 2019. Domestic oil price is estimated to be US$23.89/ Stock Tank Barrel in 2019. Domestic gas price US$0.59/ Mscf has been utilized for solution gas sales and assumed to be constant throughout the report.	Export oil at escalated price profile based on price projections published by GCA for Brent Crude which has been estimated to be US$51.31/Stock Tank Barrel in 2018. Domestic oil price is estimated to be US$13.67/Stock Tank Barrel in 2018. Domestic gas price US$0.62/Mscf has been utilized for solution gas sales and assumed to be constant throughout the report.
Canada — Canlin	Western Canadian	Escalated price profile based on price projections published by Sproule. Canadian Light Sweet Crude 40° API oil price is estimated to be C$75.27/ barrel in 2019. Alberta AECO-C Spot gas price is estimated to be C$1.95/MMbtu in 2019.	Escalated price profile based on price projections published by Sproule. Canadian Light Sweet Crude 40° API oil price is estimated to be C$65.44/barrel in 2018. Alberta AECO-C Spot gas price is estimated to be C$2.85/MMbtu in 2018.

Note:

(i) WTI — West Texas Intermediate
(ii) GCA — Gaffney, Cline & Associates
(iii) API — American Petroleum Institute
(iv) MMbtu — Million British Thermal Units

2019 Guidance

The following is our preliminary guidance for 2019. The Group will closely monitor the situation and may revise work program as warranted in a timely manner, based on changes in oil prices. We believe it is very important to maintain a high degree of flexibility in order to ensure the stability and profitability of our business in this current volatile oil price environment.

	Interest	Numbers of Wells	Group Net Capex Investment	Net production
	(%)	*(net)*	*(millions of US$)*	
China Onshore Projects (Daan, Moliqing) — Crude oil	Daan foreign contractor 100%	29	29 *(Note 1)*	5,400–5,700 BOPD
	Moliqing foreign contractor 10%			5,400–5,700 BOPD
Canada (Canlin)	100% *(Note 2)*		18 *(Note 3)*	39,433–43,283 BOE/day
— Crude oil & NGL				2,900–3,500 BOPD
— NGL				700–950 BOPD
— Natural gas				215,000–233,000 Mscf/day
Group Total		29	47	44,833–48,983 BOE/day

Notes:

(1) The capital expenditures of China Onshore Projects contemplates drilling (mainly network fracturing), transforming oil wells to water injection wells, hole filling fracturing , ground engineering and equipment procurement.

(2) The Group holds 100% common shares of Canlin Energy.

(3) The net capital expenditure budget of Canlin Energy for the year of 2019 (twelve months basis) is US$18 million.

FINANCIAL RESULTS

The assets and liabilities relating to Maple Marathon group have been presented as held for sale following the approval of the Group's management team as at December 31, 2018. The completion date for the transaction is expected to be within 2019. The financial results from Maple Marathon group were recorded as a loss from discontinued operations.

Continuing operations

Revenue

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

The Group's revenue generated from sales of oil and gas was entirely contributed by our China oil field, which increased by RMB133.8 million, or 20.5%, from RMB653.0 million in 2017 to RMB786.8 million in 2018. This increase was mainly due to the increase of oil price, and the average realized oil price was US$64.56 per barrel in 2018, as compared to US$48.89 per barrel in 2017.

The Group's revenue from rendering of services was RMB2.9 million for 2018.

Depreciation, depletion and amortization

The Group's depreciation, depletion and amortization decreased by RMB20.7 million, or 5.9%, from RMB350.0 million in 2017 to RMB329.3 million in 2018. The decrease in depreciation, depletion and amortization was mainly due to (i) the reduction of net asset value, assets depreciation, depletion and amortization of Gobi Energy Limited decreased by 10.6 million, from RMB292.8 million in 2017 to RMB282.2 million in 2018; (ii) sale of Riyadh Energy Limited in October 2017 incurred depreciation, depletion and amortization of RMB55.9 million in 2017; and (3) offset by the purchase of 10% foreign participating interest under the PSC for Daan and Moliqing oilfields, which incurred depreciation, depletion and amortization of RMB45.8 million in 2018.

Taxes other than income taxes

The Group's taxes other than income taxes increased by RMB4.7 million, or 33.1%, from RMB14.2 million for 2017 to RMB18.9 million for 2018. For taxes other than income taxes for 2018 and 2017, see Note 4.

PRC

The Ministry of Finance of the PRC announced that the threshold of the special oil income levy was revised from US$55 per barrel to US$65 per barrel with effect from January 1, 2015. Since the realized oil price exceeded US$65 per barrel in some months of 2018, which had exceeded the threshold, a special oil levy of RMB5.32 million was incurred.

Corporate and other segments

Withholding Tax and others

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

Employee compensation costs

The Group's employee compensation costs increased by RMB34.5 million, or 28.5%, from RMB121.2 million for 2017 to RMB155.7 million for 2018. The increase in employee compensation costs was primarily due to the grant of new share award incurring expense of RMB50.3 million which was partially offset by the reduction of total number of employees in 2018.

Purchases, services and other expenses

Our purchases, services and other expenses increased by RMB39.6 million, or 40.2%, from RMB98.4 million for 2017 to RMB138.0 million for 2018. The increase was primarily due to re-fracturing. In view of rising oil price in 2018, the Company decided to increase oil production by re-fracturing which rendered downhole operating cost increasing from RMB16.7 million in 2017 to RMB48.5 million in 2018. A total of 101 wells were re-fractured in 2018, while only seven wells were refractured in 2017.

Distribution costs

The Group's distribution expenses decreased by RMB1.3 million, or 7.6%, from RMB17.1 million in 2017 to RMB15.8 million in 2018. The decrease in distribution expenses was primarily due to the decrease in sales volume.

General and administrative expenses

The Group's general and administrative expenses increased by RMB16.4 million, or 15.7%, from RMB104.2 million in 2017 to RMB120.6 million in 2018. The increase in administrative expenses was primarily due to the increase of amortization relating to financing.

Net impairment losses on financial assets

The Group incurred net impairment losses on financial assets of RMB116.0 million in 2018, which arose primarily from the provision for bad debts of third party accounts receivable.

Impairment charges

The Group recognized: (i) impairment charge amounting to RMB3.3 million on the investment in PetroBroad Copower Limited and (ii) impairment loss for the goodwill and mining rights arose from acquisition of 10% interest of the foreign participating interest of Daan PSC and Moliqing PSC amounting to RMB32.1 million and RMB2.0 million.

Other (losses)/gains, net

The Group incurred other losses of RMB41.9 million for 2018, compared to other income of RMB22.1 million for 2017. Other losses for 2018 arose primarily from (i) loss arising from the disposal of an associate of RMB19.9 million; and (ii) loss on financial instruments of RMB35.6 million, which was offset by others income of RMB13.6 million. Other income for 2017 includes mainly: (i) gains on disposal of a subsidiary of RMB46.3 million; (ii) losses on financial instruments of RMB9.3 million and (iii) losses from on others of RMB14.5 million.

Finance income/(costs), net

The Group's finance income decreased by RMB25.4 million, or 52.9%, from RMB48.0 million for 2017 to RMB22.6 million for 2018.

Finance cost increased by RMB576.1 million, or 1,504.2%, from RMB38.3 million for 2017 to RMB614.4 million for 2018. The increase was mainly due to higher interest rate and longer usage for the new loan obtained in 2018; and there was gain on repurchase of 2018 senior notes in the amount of RMB388.2 million which partially offset the financial cost for 2017.

Share of loss of associates

As at December 31, 2018, the Group held a 34.0% interest in PetroBroad Copower Limited, and 40.0% interest in Palaeontol B.V., respectively. The interest in Journey Energy Inc. had been fully disposed in 2018. These investments were accounted for as associates by the Group and our share of loss of amounted to RMB9.3 million in 2018.

Loss before income tax

The Group's loss before income tax was RMB785.0 million for 2018, compared to the loss before income tax of RMB842.6 million for 2017. This was primarily due to the cumulative effects of the above factors.

Income tax expense

The Group recorded an income tax expense of RMB47.4 million in 2018, compared to an income tax expense of RMB105.5 million for 2017. The effective tax rate for 2018 is negative 6% compared to an effective tax rate in 2017 of negative 13%.

Loss for the year from continuing operations

As a result of the foregoing, our net loss from continuing operations in 2018 was RMB832.3 million, compared to a net loss from continuing operations of RMB948.1 million in 2017.

Loss for the year from discontinued operations

Our net loss from discontinued operations in 2018 was RMB363.5 million, compared to a net loss from continuing operations of RMB151.4 million in 2017.

Loss for the year

The Group's net loss in 2018 was RMB1,195.8 million, compared to the net loss of RMB1,099.5 million in 2017.

EBITDA AND ADJUSTED EBITDA

We provide a reconciliation of EBITDA and adjusted EBITDA to profit in 2018, our most direct comparable financial performance calculated and presented in accordance with IFRS. EBITDA refers to earnings before finance income, finance costs, income tax and depreciation, depletion and amortization. Adjusted EBITDA refers to EBITDA adjusted to exclude non-cash and non-recurring items such as share-based payment to employees, net impairment losses on financial assets, impairment loss, losses from changes in fair value of derivative financial instrument, withholding tax, losses/(gains) on disposal of subsidiaries, gains arising from disposal of an associate and any other non-cash or non-recurring income/expenses.

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

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

The following table presents a reconciliation of EBITDA and adjusted EBITDA from continuing operations to loss before income tax from continuing operations for the years ended December 31, 2018 and December 31, 2017:

The Group generated EBITDA of RMB136.1 million in 2018, compared to the negative EBITDA of RMB502.2 million in 2017. The increase in EBITDA in 2018 was primarily due to net impairment losses on financial assets decrease by RMB612.2 million, from RMB728.2 million in 2017 to RMB116.0 million in 2018.

The Group's adjusted EBITDA increased by approximately RMB137.2 million, or 50.5%, from approximately RMB271.9 million in 2017 to approximately RMB409.1 million in 2018. The increase in adjusted EBITDA was primarily due to the increase in oil price.

	Year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Net loss for the year from continuing operations	**(784,960)**	(842,566)
Finance income	**(22,603)**	(47,985)
Finance costs	**614,352**	38,290
Depreciation, depletion and amortization	**329,318**	350,034
EBITDA from continuing operations	**136,107**	(502,227)
Share-based payment to employees	**54,743**	20,158
Net impairment losses on financial assets	**115,978**	728,154
Impairment loss	**37,471**	35,524
Losses on derivative financial instruments	**35,560**	9,287
Withholding tax	**9,301**	10,635
Losses/gains on disposal of subsidiaries	**–**	(46,318)
Loss on disposal of Journey Interests	**19,927**	
Others	**–**	16,687
Adjusted EBITDA from continuing operations	**409,087**	271,900

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

	Year ended December 31, 2018		
	PRC	**Corporate and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before income tax from continuing operations	**110,516**	**(895,476)**	**(784,960)**
Finance income	**(90)**	**(22,513)**	**(22,603)**
Finance costs	**96,139**	**518,213**	**614,352**
Depreciation, depletion and amortization	**329,101**	**217**	**329,318**
EBITDA from continuing operations	**535,666**	**(399,559)**	**136,107**
Share-based payment to employees	**1,132**	**53,611**	**54,743**
Net impairment losses on financial assets	**(14,740)**	**130,718**	**115,978**
Impairment loss	**34,154**	**3,317**	**37,471**
Losses from changes in fair value of derivative financial instrument	**–**	**35,560**	**35,560**
Withholding tax	**–**	**9,301**	**9,301**
Losses from disposal of Journey Interests	**–**	**19,927**	**19,927**
Adjusted EBITDA from continuing operations	**556,212**	**(147,125)**	**409,087**

	Year ended December 31, 2017			
	PRC	**North America Re-presented**	**Corporate and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(Loss) before income tax from continuing operations	(35,209)	(68,026)	(739,331)	(842,566)
Finance income	(366)	(21)	(47,598)	(47,985)
Finance costs	57,618	64	(19,392)	38,290
Depreciation, depletion and amortization	349,853	–	181	350,034
EBITDA from continuing operations	371,896	(67,983)	(806,140)	(502,227)
Share-based payment to employees	5,788	–	14,370	20,158
Net impairment losses on financial assets	82,339	–	645,815	728,154
Impairment loss	2,000	–	33,524	35,524
Losses from changes in fair value of derivative financial instrument	–	–	9,287	9,287
Withholding tax	–	–	10,635	10,635
Gains on disposal of subsidiaries	–	–	(46,318)	(46,318)
Others	(3,534)	–	20,221	16,687
Adjusted EBITDA from continuing operations	458,489	(67,983)	(118,606)	271,900

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary sources of cash during 2018 were cash generated from investing activities.

In 2018, the Group had net cash generated from operating activities of RMB94.1 million, net cash generated from investing activities of RMB771.5 million, net cash used in financing activities of RMB960.3 million, an exchange loss on cash and cash equivalent of RMB7.2 million, transferred to disposal group classified as held for sale of RMB2.1 million and a net decrease in cash and cash equivalent of RMB94.8 million.

As at December 31, 2018, for the continuing operations, the borrowings from banks and third parties amounted to approximately RMB4,336.0 million, representing a decrease of approximately RMB1,713.5 million as compared to December 31, 2017. Among the above, borrowings repayable within one year amounted to approximately RMB2,549.9 million, representing an increase of RMB1,020.9 million as compared to December 31, 2017. All of the borrowings are denominated US dollars and Hong Kong dollars. The borrowings are all at fixed interest rates. No hedging instruments are used for bank borrowings.

Our gearing ratio, which is defined as total borrowings less cash and cash equivalents ("**Net Borrowings**") divided by the sum of Net Borrowings and total equity, increased from 104.8% as at December 31, 2017 to 164.7% as at December 31, 2018, primarily due to increase in financing cost.

Our total borrowings to adjusted EBITDA ratio, which is defined as total borrowings divided by adjusted EBITDA decreased from 22.3 as at December 31, 2017 to 10.6 as at December 31, 2018.

Market Risks

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

Oil and gas price risk

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

Currency risk

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

The functional currency of the Canada subsidiary is in Canadian dollars and all sales are in Canadian dollars. Management is not in a position to anticipate changes in the fluctuations between the Canadian dollars and RMB exchange rates, and as such is unable to reasonably anticipate the impacts on the Group's results of operations or financial position arising from future changes in exchange rates.

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

CHARGES ON GROUP ASSETS

As at December 31, 2018, certain assets, comprising principally oil assets and properties in Alberta in Canada, were pledged to banks as collateral security for banking facilities with outstanding amount of RMB433.0 million. In addition, as at December 31, 2018, certain financial assets at fair value through profit or loss, bank accounts and shares of subsidiaries of the Group were pledged to secure borrowings in the aggregate amount of RMB2,175.5 million.

EMPLOYEES

As at December 31, 2018, the Company had 1,385 employees, with 1,045 based in China (Mainland and Hong Kong), 2 based in the United States and 338 based in Canada. There are no material changes to the information disclosed in the Annual Report 2017 in respect of the remuneration of employees, remuneration policies and staff development.

CONTINGENCIES

There were no contingent liabilities of the Group as at December 31, 2018.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended December 31, 2018 (2017: NIL).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company ("**AGM**") is scheduled to be held on Friday, June 28, 2019. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, June 25, 2019 to Friday, June 28, 2019, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all completed transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, June 24, 2019, being the last registration date.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's consolidated financial statements for the year ended December 31, 2018 including the accounting policies adopted by the Group and has discussed the internal controls and financial reporting matters of the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended December 31, 2018 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below paragraphs set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended December 31, 2018:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As detailed in Note 2.1.1 to the consolidated financial statements, during the year ended December 31, 2018, the Group incurred a net loss of RMB1,195.8 million, which comprised losses of RMB832.3 million from continuing operations and RMB363.5 million from discontinued operations. As at December 31, 2018, the Group had a shareholders' deficit of RMB1,692.0 million and the Group's current liabilities and liabilities of disposal group classified as held for sale exceeded its current assets and assets of disposal group classified as held for sale by RMB2,034.1 million. As at the same date, the Group had total borrowings of RMB4,336.0 million, of which approximately RMB2,549.9 million represented current liabilities, while the Group only had cash and cash equivalents of RMB28.1 million.

These conditions, together with others described in Note 2.1.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, to meet its liabilities as and when they fall due which are set out in Note 2.1.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including: (a) successful completion of the disposal (the "**Maple Marathon Disposal**") of Maple Marathon Investments Limited ("**Maple Marathon**"), the Group's subsidiary, in the near future so that the net cash proceeds will be made available to the Group for fulfilment of its obligations; and that the term loan owed by Maple Marathon will be retained by the buyer for repayment in accordance with the disposal agreement such that the Group does not need to obtain additional sources of financing to repay such loan upon the due date; (b) the holder of certain public notes not exercising the put option prior to the completion of the Maple Marathon Disposal; in order not to trigger earlier redemption of the public notes and certain other private notes as detailed in Note 2.1.1; (c) the lender of a borrowing of US$60 million due to be repaid on February 1, 2020 not exercising its right to demand immediate payment; (d) the Group's ability to continuously comply with the terms and conditions of all the outstanding borrowings and financing agreements and to successfully negotiate with the lenders to obtain waivers or to revise the existing terms and conditions as and when needed such that the existing borrowings and financing will continue to be available to the Group; and (e) the Group's ability to generate operating cash flows and obtain additional sources of financing, other than those mentioned above, to finance the Group's oil exploration and production businesses and 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.

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

During the year ended December 31, 2018, the Company has repaid its US$200,000,000 6.875% senior notes due 2018 ("**2018 Notes**") in full, which were listed on the Singapore Stock Exchange ("**SGX**") with effect from February 6, 2013. The outstanding principal plus accrued interest were in the amount of US$187,966,625. The 2018 Notes were subsequently cancelled and delisted from the SGX.

As of December 31, 2018, US$315,916,000 in aggregate of the principal amount of 2019 Notes remained outstanding.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, disposed of or redeemed any of the Company's listed securities for the year ended December 31, 2018.

CORPORATE GOVERNANCE CODE

The Company has complied with the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 of the Listing Rules for the year ended December 31, 2018, except for Code Provision A.2.1 as explained below.

Code Provision A.2.1

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended December 31, 2018. In addition, no incident of non-compliance of the Model Code by the employees was noted by the Company.

CHANGE OF COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

Ms. Wong Sau Mei ("**Ms. Wong**") has resigned as the company secretary of the Company, and ceased to act as an authorised representative of the Company (the "**Authorised Representative**") for the purpose of Rule 3.05 of the Listing Rules, both with effect from April 23, 2019.

Ms. Wong has confirmed that she has no disagreement with the Board and there is no matter relating to her resignation that needs to be brought to the attention of the shareholders of the Company or the Hong Kong Stock Exchange.

Following the resignation of Ms. Wong, Ms. Chan Wing Sze ("**Ms. Chan**") has been appointed as the company secretary and Authorised Representative for the purpose of the Listing Rules, both with effect from April 23, 2019. Ms. Chan meets the qualification requirements of a company secretary under Rule 3.28 of the Listing Rules.

Ms. Chan is a Senior Manager of Corporate Services of Tricor Services Limited ("**Tricor**") and has over 15 years of experience in the corporate secretarial field, providing a full range of company secretarial and compliance services to companies in multiple jurisdictions. Before joining Tricor, she was previously with a major property developer that is listed on the Main Board of the Hong Kong Stock Exchange; a dual-listed international conglomerate whose shares are listed in London and Singapore; as well as one of the "Big Four" international accounting firms; and other international corporate services providers. Ms. Chan is currently the company secretary of Hua Medicine (Stock Code: 2552) and MicroPort Scientific Corporation (Stock Code: 00853), both companies are listed on the Main Board of the Hong Kong Stock Exchange.

Ms. Chan is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Chan holds a Master of Corporate Governance from The Hong Kong Polytechnic University and a Bachelor of Business Administration from The Heriot-Watt University, United Kingdom.

The Board would like to express its gratitude to Ms. Wong for her valuable efforts and contributions to the Company and take the opportunity to express its warmest welcome to Ms. Chan on her new appointments.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The electronic version of this annual results announcement is published on the websites of the Company (www.mienergy.com.cn), Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and Singapore Exchange Securities and Trading Limited (www.sgx.com). An annual report for the year ended December 31, 2018 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the said websites in due course.

ANNUAL GENERAL MEETING

The AGM of the Company will be held in Hong Kong on Friday, June 28, 2019. Notice of the AGM will be published and sent to shareholders of the Company in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company has been suspended from 9:00 a.m. on April 1, 2019 pending the release of this announcement. Application has been made to the Hong Kong Stock Exchange for the resumption of trading of the shares of the Company on the Hong Kong Stock Exchange with effect from 9:00 a.m. on April 24, 2019.

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

Hong Kong, April 23, 2019

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