MIE HOLDINGS CORPORATION
MI能源控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1555)

ANNOUNCEMENT
ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SUMMARY OF OPERATIONAL PERFORMANCE

- The Board of Directors considers the business performance from a geographic perspective being the PRC and others.
- In 2020, the revenue of the Group decreased by 24.3% to RMB572.5 million as compared with 2019. Loss for the year of the Group from continuing operations decreased by 7.5% to RMB1,351.3 million as compared with RMB1,461.1 million in 2019 and the respective loss per share was RMB0.41 in 2020.
- In 2020, EBITDA of the Group increased by RMB238.6 million to negative RMB248.0 million from negative RMB486.6 million in 2019 and the respective adjusted EBITDA decreased by RMB52.4 million to RMB271.0 million. In 2020, EBITDA from the PRC segment decreased by RMB638.4 million to negative RMB142.1 million from RMB496.3 million in 2019 and the respective adjusted EBITDA decreased by RMB137.6 million to RMB362.5 million.
- The gross crude oil production of the Group from the PRC segment in 2020 was 4.63 million barrels of oil equivalent ("**MMBOE**"), having decreased by 0.2% from 4.64 MMBOE in 2019. The net oil production of the Group from the PRC segment in 2020 was 2.18 MMBOE, an increase of 12.4% from 1.94 MMBOE in 2019, which was mainly due to a higher percentage of the production allocated to the Group in accordance with the petroleum contract compared to 2019.

- In 2020, the average daily net crude oil production of the Group from the PRC segment was 5,944 barrels, having increased by 11.8% from 5,319 barrels in 2019. The daily average net natural gas production from the PRC segment was 5.14 thousand standard cubic feet ("**Mscf**")having increased by 5.3% from 4.88 Mscf in 2019.
- In 2020, the average oil price of the Group from the PRC segment was US$38.60 per barrel, having decreased US$17.32 per barrel, or 31.0% from US$55.92 per barrel in 2019. The average natural gas price of the Group from the PRC segment was US$6.20 per Mscf, having increased US$0.01 per Mscf from US$6.19 per Mscf in 2019.
- 29 directional wells were drilled in the Daan oilfield in 2020, being 15 more as compared with 2019.

2021 Guidance

On June 4, 2020, the Group and China National Petroleum Corporation (the "**CNPC**") signed a modification and supplemental agreement for the PSC regarding the Daan Oilfield in China ("**Supplemental Agreement**"), conditionally extending the commercial production period of Daan from December 31, 2024 to February 29, 2028 (being the PSC expiration date). Pursuant to the Supplemental Agreement, the Group will continue to operate the Daan Oilfield and shall invest in and drill a minimum of 268 wells within three years after the effective date of the supplemental agreement. If the drilling program of 268 wells cannot be completed within three years due to weak oil prices, such three years may be extended by another year. Considering the extension of the Daan PSC is vital to the Group and the limited PSC term, it is beneficial for the Group to complete the drilling program earlier rather than later to increase production, recover cost and capex and generate cash flow. Thus, the Group aims to complete the drilling program in a minimum time period. Starting from July 2020, the Group resumed drilling activity despite that the oil price remained low at US$35/barrel. By the end of 2020, we drilled 29 wells.

Our 2021 capex and production guidance is set out in the table below. While the Group will closely monitor oil prices and other factors and may adjust our capital program accordingly, our goal of completing the drilling program of 268 wells within a minimum time period remains unchanged.

	Interest *(%)*	**Numbers of Wells** *(net)*	**Group Net Capex Investment** *(millions of US$)*	**Net production**
China Onshore Projects (Daan, Moliqing) — Crude oil	Daan foreign contractor 100%	166	82 *(Note)*	7,000–9,000 barrels/day
	Moliqing foreign contractor 10%	2	3	120–200 barrels/day
Group Total		**168**	**85**	**7,120–9,200 barrels/day**

Notes: The capital expenditures of China Onshore Projects contemplate drilling (mainly conventional wells), transforming oil wells to water injection wells, hole filling fracturing, ground engineering and equipment procurement.

Debt restructuring of the Company

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

The liquidity issue faced by the Company aggravated with the decreased revenue and increased finance cost, making the Group unable to make the scheduled interest payment in relation to the Senior Notes when the related interest grace period expired on May 11, 2020. The non-payment resulted in an event of default under the Senior Notes ("**Default**"), which also triggered cross-defaults under other bilateral loans entered into between the Group's member companies and other lenders. The Company has assessed that the potential demands for repayment of loans by the relevant lenders including those yet to fall due, and the aggregate unfulfilled repayment obligations and possible breaches of the other loan facilities and notes, amount to approximately over US$316.6 million in principal plus accrued interest on such principal amount.

After the Default, the Company continued to focus on operating the business in a safe and efficient manner under extremely low oil prices. In spite of all difficulties and after lengthy negotiation, the company successfully extended the commercial production period of the Daan PSC with CNPC on June 4, 2020, which provided a solid basis and rational for debt restructuring. On the other hand, the Company has been proactively discussing with various creditors in relation to the debt restructuring, including but not limited to extension of maturity, deferral of interest payment and reduction of interest rate, which are expected to conducive to improve the Group's financial position and address the Company's liquidity concerns. As at the date of this announcement, no agreement in relation to the above arrangements has been entered into or agreed between the Company and its creditors.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, **2020** *RMB'000*	2019 *RMB'000*
Continuing operations			
Revenue from contracts with customers	*3*	**572,471**	756,094
Depreciation, depletion and amortisation		**(250,159)**	(348,751)
Taxes other than income taxes	*4*	**(6,815)**	(7,859)
Employee benefit expenses		**(101,911)**	(143,367)
Purchases, services and other direct costs		**(131,118)**	(133,007)
Distribution costs		**(18,283)**	(16,642)
General and administrative expenses		**(54,859)**	(158,160)
Net impairment losses on financial assets		**(3,740)**	(698,154)
Impairment charges		**(506,748)**	(4,826)
Other gains/(losses), net		**3,051**	(80,716)
Finance income		**35,343**	42,518
Finance costs		**(845,954)**	(605,803)
Loss before income tax		**(1,308,722)**	(1,398,673)
Income tax expense	*5*	**(42,591)**	(62,453)
Loss for the year from continuing operations		**(1,351,313)**	(1,461,126)
Discontinued operations			
Profit for the year from discontinued operations		**–**	332,177
Loss for the year		**(1,351,313)**	(1,128,949)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended December 31, 2020** *RMB'000*	2019 *RMB'000*
Other comprehensive income/(losses)			
Continuing operations			
Items that may be reclassified to profit or loss			
Currency translation differences		**351,285**	(59,103)
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		**(32,718)**	(3,428)
Other comprehensive income/(losses) for the year, net of tax		**318,567**	(62,531)
Total comprehensive losses for the year		**(1,032,746)**	(1,191,480)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(1,351,313)**	(1,125,037)
Non-controlling interests		**–**	(3,912)
		(1,351,313)	(1,128,949)
Loss/(profit) for the year attributable to owners of the Company arising from:			
Continuing operations		**(1,351,313)**	(1,457,214)
Discontinued operations		**–**	332,177
		(1,351,313)	(1,125,037)
Total comprehensive losses for the year attributable to:			
Owners of the Company		**(1,032,746)**	(1,187,568)
Non-controlling interests		**–**	(3,912)
		(1,032,746)	(1,191,480)
Total comprehensive (losses)/income for the year attributable to owners of the Company arising from:			
Continuing operations		**(1,032,746)**	(1,519,745)
Discontinued operations		**–**	332,177
		(1,032,746)	(1,187,568)
(Loss)/earnings per share for (loss)/ profit attributable to ordinary equity holders of the Company for the year (expressed in RMB per share)			
Basic (loss)/earnings per share	*6*		
Continuing operations		**(0.41)**	(0.46)
Discontinued operations		**–**	0.11
		(0.41)	(0.35)
Diluted (loss)/earnings per share	*6*		
Continuing operations		**(0.41)**	(0.46)
Discontinued operations		**–**	0.11
		(0.41)	(0.35)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**1,079,358**	1,678,414
Intangible assets		**58,582**	94,025
Right-of-use assets		**12,504**	11,839
Deferred income tax assets		**816**	816
Financial assets at fair value through other comprehensive income		**7,841**	43,754
Prepayments, deposits and other receivables		**361,030**	385,363
Restricted cash		**4,002**	–
		1,524,133	2,214,211
Current assets			
Inventories		**20,666**	16,370
Prepayments, deposits and other receivables		**31,239**	71,036
Trade and note receivables	*8*	**51,717**	61,374
Restricted cash		**43,224**	46,213
Cash and cash equivalents		**20,353**	13,711
		167,199	208,704
Total assets		**1,691,332**	2,422,915
Equity			
Equity attributable to owners of the Company			
Share capital		**1,101,249**	1,101,249
Other reserves		**233,266**	(90,048)
Accumulated losses		**(5,106,646)**	(3,755,333)
		(3,772,131)	(2,744,132)
Total shareholders' deficit		**(3,772,131)**	(2,744,132)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	*10*	**–**	1,720,505
Lease liabilities		**4,990**	4,738
Deferred income tax liabilities		**213,320**	173,803
Trade and note payables	*9*	**32,840**	74,169
Provisions, accruals and other liabilities		**153,723**	143,041
		404,873	2,116,256
Current liabilities			
Trade and note payables	*9*	**325,561**	386,076
Provisions, accruals and other liabilities		**1,037,923**	371,061
Lease liabilities		**8,163**	8,707
Current income tax liabilities		**810**	6,185
Borrowings	*10*	**3,686,133**	2,278,762
		5,058,590	3,050,791
Total liabilities		**5,463,463**	5,167,047
Total shareholders' deficit and liabilities		**1,691,332**	2,422,915

NOTES

1. GENERAL INFORMATION

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

The 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 Group is indirectly controlled by Far East Energy Limited ("FEEL"), which owns 50.01% of the Company's shares and is also the ultimate parent company of the Group. FEEL is a limited liability company incorporated in Hong Kong and its ultimate benefit owners are Mr. Zhang Ruilin, Mr. Zhao Jiangwei and Ms. Zhao Jiangbo ("Mrs. Zhang", Mr. Zhang's spouse).

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

On September 24, 2018, the Group entered into an agreement with Far East Energy International Limited ("FEEIL"), a company controlled by Mr. Zhang Ruilin, the controlling shareholder and chairman of the Company, for the sale of its entire 100% equity investment in Maple Energy and its subsidiaries. The disposal was completed on 30 September 2019. The results of the Disposal Group prior to completion was presented as discontinued operating for 2019.

The financial statements are presented in Chinese Renminbi ("RMB") unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company (the "Board of Directors") on March 31, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, except certain financial assets measured at fair value as disclosed in the Group's accounting policies.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.1.1 Going concern

In the recent years, the Group's performance was significantly affected by the relatively low commodity prices of oil and the high borrowing costs for general funding and re-financing purposes. The Group's performance is further impacted by the breakdown of production reduction negotiations amongst the Organisation of Petroleum Exporting Countries (the "**OPEC**"), coupled with the unfavorable outlook for the global economy due to the outbreak of Coronavirus Disease 2019 (the "**COVID-19**") in early 2020. During the year, the Group incurred a net loss of RMB1,351.3 million.

As at December 31, 2020, the Group had a shareholders' deficit of RMB3,772.1 million and its current liabilities exceeded its current assets by RMB4,891.4 million. As at the same date, the Group had total borrowings of RMB3,686.1 million. Included in the current liabilities as at December 31, 2020 were (1) the senior notes listed on the Singapore Exchange Securities Trading Limited in the principal amount of US$248.4 million (equivalent to approximately RMB1,620.7 million) due on April 12, 2022 (the "**2022 Senior Notes**"); (2) a secured borrowing of US$58.8 million (equivalent to approximately RMB383.7 million) (the "**On-Demand Borrowing**"); and (3) all of the Group's remaining secured borrowings totalling RMB1,681.7 million. As at December 31, 2020, the Group had bank balances totalling RMB67.6 million, of which RMB20.4 million was unrestricted.

On May 11, 2020 the Group did not pay the interest accrued on the 2022 Senior Notes of RMB120.5 million (US$17.1 million) due on April 12, 2020, which resulted in an event of default by the Group after the expiry of the 30-day grace period. As a result, the entire balance of the principal and related outstanding interest due on the 2022 Senior Notes became immediately repayable if requested by the holders of such notes (the "**Noteholders**") and was classified as a current liability as at December 31, 2020. This event of default also triggered the cross-default of the borrowings under (2) and (3) (the "**Cross-Defaulted Borrowings**") and immediate repayment of all such borrowings if requested by the respective lenders of these borrowings (the "**Lenders**"). In addition, the Cross-Defaulted Borrowings were also subsequently defaulted because of non-payment at their respective due dates. No additional borrowings were undertaken by the Group subsequent to December 31, 2020.

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, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, and have taken the following measures to mitigate the liquidity pressure and to improve its cash flows:

(a) The Group will continue its ongoing efforts in convincing the Lenders and the Noteholders not to take any actions against the Group for immediate payment of the principals and interest of the Cross-Defaulted Borrowings and the 2022 Senior Notes. Based on latest communications with the Lenders and certain key Noteholders, there is no indication that these parties have any current intention to take action against the Group to demand immediate payment. Up to the date of approval of these financial statements, the Noteholders and the Lenders have not requested immediate repayments of any of the funding provided to the Group, nor any written waiver has been obtained from them;

(b) The Group has been in active negotiations with the Lenders and certain key Noteholders for a debt restructuring of the Cross-Defaulted Borrowings and the 2022 Senior Notes (the "**Debt Restructuring Plans**") to revise certain key terms and conditions of the original borrowing agreements and indenture, including but not limited to extension of principal and interest payment schedules and reduction in applicable interest rates. The Debt Restructuring Plans will involve entering into restructuring agreements (the "**Restructuring Agreements**") among the Group, the Lenders and the key Noteholders participating in the negotiations; and the execution of such Restructuring Agreements is subject to, among others, the necessary legal proceedings and ultimate approval by Noteholders representing over 50% by number and 75% by value of the holders of the 2022 Senior Notes participating in the voting;

(c) On June 4, 2020, the Group successfully obtained approval from its production sharing counterparty, China National Petroleum Corporation, to extend the expiry date of the production period from December 31, 2024 to February 29, 2028 (the "**Supplemental Production Sharing Contract**") on the condition that the Group shall drill a minimum number of new wells in the Daan oilfield as agreed within a period of three years from June 2020. As a result, the Group will be able to improve its operating cash flows through increased production; and

(d) The Group will also continue to seek other alternative financing, including proceeds from the disposal of assets, 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, 2020. 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 date of the consolidated statement of financial position. 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 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) the Lenders and the Noteholders not taking any actions against the Group to exercise their rights to demand immediate payment of the principals and interests of the Cross-Defaulted Borrowings and the 2022 Senior Notes before the finalisation of the Debt Restructuring Plans and execution of the Restructuring Agreements;

(ii) successfully securing the required agreement of the Lenders and the Noteholders and completion of all necessary procedures by the Group for the Restructuring Agreements to be executed; and the Group's ability to continuously comply with the terms and conditions stipulated therein upon execution;

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

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

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

2.1.2 New and amended standards adopted by the Group

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

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

2.1.3 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

(a) Description of segment

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

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

The measurement of results and assets of the operating segment are the same as those described in the summary of significant accounting policies. The CODM evaluates the performance of the operating segment based on profit/(loss) before income tax, depreciation and amortisation, interest income, finance costs and exchange gains/(losses) (the "EBITDA") and the adjusted EBITDA. However, the CODM also receives information about the segment revenue, segment results, segment assets and segment liabilities as below on a monthly basis.

(b) Segment information to CODM

The segment information provided to the CODM for the reportable segment is as follows:

EBITDA and adjusted EBITDA

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Operating segment:		
(Loss)/profit before income tax	**(643,110)**	43,907
Finance income	**(20)**	(27)
Finance costs	**257,447**	110,330
Depreciation, depletion and amortization	**243,579**	342,081
EBITDA	**(142,104)**	496,291
Share-based payment to employees	**1,288**	2,687
Impairment charges	**506,748**	–
(Reversal)/provision of impairment losses on financial assets, net	**(3,389)**	1,160
Adjusted EBITDA	**362,543**	500,138

Segment revenue and segment results

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Segment revenue	**572,471**	756,094
Purchases, services and other direct costs	**(131,118)**	(133,007)
Impairment charges	**(506,748)**	–
Income tax expense	**(42,434)**	(62,456)
Loss for the year	**(692,095)**	(18,549)

Segment assets and segment liabilities

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Total segment assets	**1,300,181**	1,980,084
Total segment assets include:		
Property, plant and equipment	**1,078,702**	1,677,627
Intangible assets	**58,582**	78,980
Decreases in non-current assets	**(619,323)**	(178,621)
Total segment liabilities	**1,869,743**	1,834,547

(c) Revenue from contracts with customers

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Entity-wide information		
Analysis of revenue by category		
Timing of revenue recognition		
At a point in time		
— Sales of crude oil	**570,310**	741,459
— Provision of services and others	**2,161**	14,635
	572,471	756,094

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

For the year ended December 31, 2020, total revenue from crude oil sales in the PRC are derived solely from PetroChina. Crude oil sales revenues from PetroChina accounted for 99.6% of the Group's total revenue from continuing operations (2019: 98.1%).

4. TAXES OTHER THAN INCOME TAXES

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
PRC:		
Urban construction tax and education surcharge	**3,016**	3,935
Others	**88**	86
	3,104	4,021
Corporate and other segments:		
Withholding tax and others *(Note)*	**3,711**	3,838
	6,815	7,859

Note:

During the year, all (2019: all) withholding tax is related to interest expense arising from the shareholder loans to PBV.

5. INCOME TAX EXPENSE

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Current income tax	**3,074**	3,534
Deferred income tax	**39,517**	58,919
	42,591	62,453

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

6. LOSS/(EARNINGS) PER SHARE

(a) Basic

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit for the year attribute to owners of the company used to determine basic (loss)/earnings per share		
— Continuing operations	**(1,351,313)**	(1,457,214)
— Discontinued operations	**–**	332,177
Weighted average number of ordinary shares *(thousands)*	**3,257,428**	3,136,343
Basic (loss)/earnings per share		
— Continuing operations	**(0.41)**	(0.46)
— Discontinued operations	**–**	0.11
	(0.41)	(0.35)

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

(b) Diluted

The dilutive (loss)/earnings per share is the same as the basic (loss)/earnings per share.

7. DIVIDENDS

The Board of Directors did not propose a dividend for the year (2019: Nil).

8. TRADE RECEIVABLES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables from:		
— PSC partner	**50,252**	60,508
— Third parties	**1,465**	866
	51,717	61,374
Less: loss allowance	**–**	–
	51,717	61,374

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

(b) Aging analysis

	As at December 31, **2020** *RMB'000*	2019 *RMB'000*
Up to 30 days	**50,987**	61,238
Over 180 days	**730**	136
	51,717	61,374

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

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

The Group does not hold any collateral as security.

9. TRADE AND NOTE PAYABLES

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

(a) Aging analysis

	As at December 31, **2020** *RMB'000*	2019 *RMB'000*
Up to 6 months	**162,972**	222,202
6 months–1 year	**34,213**	93,183
1–2 years	**100,180**	99,986
2–3 years	**39,236**	30,707
Over 3 years	**21,800**	14,167
	358,401	460,245

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

10. BORROWINGS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Current		
— 2022 Senior Notes	**1,620,746**	–
— On-Demand Borrowing	**383,664**	394,693
— Other loans	**1,681,723**	1,884,069
	3,686,133	2,278,762
Non-current		
— 2022 Senior Notes	**–**	1,720,505
	–	1,720,505
	3,686,133	3,999,267

As detailed in Note 2.1.1, the Group did not pay the interest accrued on the 2022 Senior Notes of RMB120.5 million (US$17.1 million) due on April 12, 2020, which resulted in an event of default by the Group after the expiry of the grace period to May 11, 2020. As a result, the entire balance of the principal and related outstanding interest due on the 2022 Senior Notes became immediately repayable if requested by Noteholders. This event of default also triggered the cross-default of the On-Demand Borrowing and the borrowings of RMB1,681.7 million included in other loans and immediate repayment of all such borrowings if requested by the respective lenders (Note 2.1.1). Accordingly the outstanding principal of the 2022 Senior Notes has been reclassified to current liabilities since the occurrence of the event of default.

The Group is in discussion with certain Noteholders and the relevant lenders for the Debt Restructuring Plans (Note 2.1.1). As at the date of approving these financial statements, the Debt Restructuring Plans have not been completed.

11. SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Company or by the Group after December 31, 2020 and up to the date of this announcement.

BUSINESS REVIEW

Overview

In 2020, the COVID-19 had a huge adverse impact on the oil market, and the world's oil demand and supply both declined significantly and even the negative oil price of crude oil futures appeared for the first time in history. After the major economies in the world taking measures to boost the economy and many countries starting to vaccinate against the COVID-19, the international oil prices rebound in volatility, which brings a new round of major opportunities for the energy industry. In the face of complex external environment, the Group strictly implemented pandemic prevention and control measures and steadily push forward to recover work and production. On June 4, 2020, the Group successfully executed the Supplemental PSC, extending the production period from December 31, 2024 to February 29, 2028, which lays a solid foundation for the sustained high-level development of Daan Oilfield. At the same time, pursuant to the requirements of drilling new wells in the next three years in the Supplemental PSC, the Group will increase capital expenditure and drill new wells in a timely manner , to improve the oil production capacity of Daan Oilfield.

The oil and gas operated production and net production of the Group from the PRC segment in 2020 remained consistent with 2019. The Group's oil and gas production decreased by 0.2% to about 4.63 MMBOE compared with 2019. Net oil and gas production increased by 12.4% to about 2.18 MMBOE compared with 2019. During 2020, net oil sales volume increased by 10.7% compared to 2019 to approximately 2.13 million barrels, while net natural gas sales volume decreased to 1.80 MMscf.

In 2020, the average realized crude oil price of the Group from the PRC segment decreased by 31.0% to US$38.60 per barrel as compared with that of 2019, and the average realized natural gas price increased to US$6.2 per Mscf. In 2020, the revenue from the PRC segment decreased by 24.3% to RMB572.5 million as compared with 2019. In 2020, loss for the year of the Group is RMB1,351.3 million and the respective losses per share is RMB0.41.

In 2020, EBITDA from the PRC segment decreased by RMB638.4 million to negative RMB142.1 million from RMB496.3 million in 2019 and the respective adjusted EBITDA decreased by RMB137.6 million to RMB362.5 million.

As at December 31, 2020, the Group operated a total of 2,435 wells, all located in China. The total headcount of the Group reduced from 1,058 as of December 31, 2019 to 1,007 as of December 31, 2020 under combined effect of asset disposal and staff adjustment.

The following table provides a recap of the Group's key operational metrics for 2020:

	2020	**2019**	**% Change**	**2020 Guidance**
Average Daily Gross Production (BOE/day)	**12,662**	12,720	–0.5%	
Average Daily Net Production (BOE/day)	**5,944**	5,320	11.7%	5,330–6,050
Average Daily Net Oil Production (barrels/day)	**5,944**	5,319	11.8%	
Average Daily Net Gas Production (Mscf/day)	**5.14**	4.88	5.3%	

Notes:

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

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

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

(4) Canlin production is excluded from the 2019 operational metrics due to asset disposal in September, 2019

The following table sets out the summary of the expenditures incurred in our exploration, development and production activities for 2020:

(millions of RMB)	**Exploration expenditures**	**Development expenditures**	**Production/ operating expenditures**
China Onshore Projects (Daan, Moliqing)	–	115	164
Total	–	115	164

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

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

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

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

  We hold an indirect 40% interest in Emir-Oil in Kazakhstan. Emir-Oil obtained production contracts for the North Kariman and Yessen fields, for respective periods of 16 and 25 years starting from January 1, 2020. Currently, Emir-Oil holds one exploration contract and six production contracts covering Aksaz, Dolinnoe, Emir, Kariman, North Kariman and Yessen oilfields. As at the end of 2020, Emir-Oil had a total of 21 producing wells. The daily production of crude oil in 2020 decreased by 25.3% from 2,332 BOPD in 2019 to 1,743 BOPD.

Reserves

Summaries of the Group's 2020 year-end reserves are as follows:

1. Overall, the Group's total net Proved ("**1P**") oil, gas and natural gas liquid ("**NGL**") reserves decreased by 10% to 16.26 MMBOE, total net Proved + Probable ("**2P**") oil, gas and NGL reserves decreased by 6% to 42.45 MMBOE, and total net Proved + Probable + Possible ("**3P**") oil, gas and NGL reserves decreased by 8% to 63.74 MMBOE.

2. The Group's net 1P oil reserves for 2020 decreased by 9% to 14.61 million barrels, while 2P net oil reserves decreased by 5% to 35.91 million barrels and 3P net oil reserves decreased by 6% to 53.22 million barrels respectively, as a result of the production of Daan and Emir-Oil.

3. Based on 2020 year-end reserves estimates reviewed by independent consultants, the Group's 2P net present value, before tax and discounted at 10% ("**NPV10**") is approximately US$584 million, which represents a 13% decrease from the reported 2019 year-end 2P NPV10 value of US$669 million.

Segment	Basin	2019	2020
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 2019 between WTI Cushing Spot and Daqing of US$0.40 per barrel was used. The differential is assumed to remain constant in the future.	Escalated price profile based on price projections published by Moody's Analytics for WTI Crude. An average differential for January to December of 2020 between WTI Cushing Spot and Daqing of negative US$1.33 was used. The differential is assumed to remain constant in the future.
Kazakhstan — Emir-Oil	Mangistau	Export oil at escalated price profile based on price projections published by GCA for Brent Crude which has been estimated to be US$54.13/Stock tank Barrel in 2020. Domestic oil price is estimated to be US$20.18/Stock tank Barrel in 2020. Domestic gas price US$0.54/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$41.48/Stock Tank Barrel in 2021. Domestic oil price is estimated to be US$19.30/Stock Tank Barrel in 2021. Domestic gas price US$0.47/MSCF has been utilized for solution gas sales and assumed to be constant throughout the report.

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

FINANCIAL RESULTS

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 fields. The Group's revenue from sales of oil and gas in 2020 decreased by RMB171.2 million, or 23.1%, from RMB741.5 million in 2019 to RMB570.3 million, primarily due to lower oil prices partially offset by higher sales volumes. The average realized oil price was US$38.60 per barrel in 2020, as compared to US$55.92 per barrel in 2019. The Group's sales volume increased by 0.2 million barrels or 10.4%, from 1.93 million barrels in 2019 to 2.13 million barrels in 2020.

The Group's revenue from rendering of services was RMB2.2 million for 2020.

Depreciation, depletion and amortization

The Group's depreciation, depletion and amortization decreased by RMB98.6 million, or 28.3%, from RMB348.8 million in 2019 to RMB250.2 million in 2020. The decrease in depreciation, depletion and amortization was mainly due to: (i) the decrease of net book value caused by the impairment recorded in 2020, which is caused by the decrease of oil price; and (ii) the increase of reserve.

Taxes other than income taxes

The Group's taxes other than income taxes decreased by RMB1.1 million, or 13.9%, from RMB7.9 million for 2019 to RMB6.8 million for 2020.

PRC

With effect from January 1, 2015, the threshold price for special oil income levy was revised from US$55 per barrel to US$65 per barrel. During 2020, the realized oil price never reached US$65 per barrel, and hence special oil income levy was not applicable.

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 decreased by RMB41.5 million, or 28.9%, from RMB143.4 million for 2019 to RMB101.9 million for 2020. The decrease in employee compensation costs was primarily due to the reduction of headcount and compensation during 2020.

Purchases, services and other expenses

Our purchases, services and other expenses decreased by RMB1.9 million, or 1.4%, from RMB133.0 million for 2019 to RMB131.1 million for 2020. The decrease was primarily due to the stringent cost control measures and optimization measures on the wells implemented by the Group.

Distribution costs

The Group's distribution costs increased by RMB1.7 million, or 10.2%, from RMB16.6 million in 2019 to RMB18.3 million in 2020. The increase in distribution costs was primarily due to the increase in sales volume.

General and administrative expenses

The Group's general and administrative expenses decreased by RMB103.3 million, or 65.3%, from RMB158.2 million in 2019 to RMB54.9 million in 2020. The decrease in administrative expenses was primarily due to the large fees and expenses related to debt restructuring or refinancing during 2019.

Net impairment losses on financial assets

The Group incurred net impairment losses on financial assets of RMB3.7 million in 2020, which arose primarily from the provision for impairment losses on the receivables from an associate.

Impairment charges

The Group recognized: (i) impairment losses for oil and gas properties amounting to RMB480.5 million; (ii) impairment losses for mining rights amounting to RMB26.2 million.

Other gains/(losses), net

The Group incurred other gains of RMB3.1 million for 2020, compared to other losses of RMB80.7 million for 2019.

Finance income/(costs), net

The Group's finance income decreased by RMB7.2 million, or 16.9%, from RMB42.5 million for 2019 to RMB35.3 million for 2020.

Finance costs increased by RMB240.2 million, or 39.7%, from RMB605.8 million for 2019 to RMB846.0 million for 2020. The increase was mainly due to the default interest with higher interest rate caused by the cross-default event of the borrowings during 2020.

Loss before income tax

The Group's loss before income tax was RMB1,308.7 million for 2020, compared to the loss before income tax of RMB1,398.7 million for 2019. This was primarily due to the cumulative effects of the above factors.

Income tax expense

The Group recorded an income tax expense of RMB42.6 million in 2020, compared to an income tax expense of RMB62.5 million for 2019. The effective tax rate for 2020 is negative 3% compared to an effective tax rate in 2019 of negative 4%.

Loss for the year from continuing operations

As a result of the foregoing, our net loss from continuing operations in 2020 was RMB1,351.3 million, compared to a net loss from continuing operations of RMB1,461.1 million in 2019.

Loss for the year

The Group's net loss in 2020 was RMB1,351.3 million, compared to the net loss of RMB1,128.9 million in 2019.

EBITDA AND ADJUSTED EBITDA

We provide a reconciliation of EBITDA and adjusted EBITDA to losses for the year 2020, 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 charges, losses on changes in fair value of financial instruments, withholding tax, losses on disposal of subsidiaries, losses 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 between EBITDA and adjusted EBITDA from continuing operations and loss before income tax from continuing operations for the years ended December 31, 2020 and December 31, 2019:

The Group generated EBITDA of negative RMB248.0 million in 2020, compared to negative RMB486.6 million in 2019. The increase in EBITDA in 2020 was primarily due to: (i) the impairments and losses on changes in fair value decreased by RMB276.4 million; (ii) the general and administrative expenses and employee benefit expenses decreased by RMB144.8 million; and (iii) partially offset by the decrease in oil price.

The Group's adjusted EBITDA decreased by approximately RMB52.4 million, or 16.2%, from approximately RMB323.4 million in 2019 to approximately RMB271.0 million in 2020. The decrease in adjusted EBITDA was primarily due to the decrease in oil price.

	Year Ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss before income tax from continuing operations	**(1,308,722)**	(1,398,673)
Finance income	**(35,343)**	(42,518)
Finance costs	**845,954**	605,803
Depreciation,depletion and amortization	**250,159**	348,751
EBITDA from continuing operations	**(247,952)**	(486,637)
Share-based payment to employees	**4,747**	10,841
Net impairment losses on financial assets	**3,740**	698,154
Impairment charges	**506,748**	4,826
Losses on changes in fair value of financial instruments	**–**	71,159
Withholding tax	**3,711**	3,838
Losses from disposal of subsidiaries	**–**	21,197
Adjusted EBITDA from continuing operations	**270,994**	323,378

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

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

	Year Ended December 31, 2019		
	PRC	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Profit/(Loss) before income tax from continuing operations	43,907	(1,442,580)	(1,398,673)
Finance income	(27)	(42,491)	(42,518)
Finance costs	110,330	495,473	605,803
Depreciation,depletion and amortization	342,081	6,670	348,751
EBITDA from continuing operations	496,291	(982,928)	(486,637)
Share-based payment to employees	2,687	8,154	10,841
Net impairment losses on financial assets	1,160	696,994	698,154
Impairment charges	–	4,826	4,826
Losses on changes in fair value of financial instruments	–	71,159	71,159
Withholding tax	–	3,838	3,838
Losses from disposal of subsidiaries	–	21,197	21,197
Adjusted EBITDA from continuing operations	500,138	(176,760)	323,378

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary source of cash during 2020 was cash generated from operating activities.

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

Borrowings

As at December 31, 2020, for the Group's continuing operations, the borrowings from financial institutions and third parties amounted to approximately RMB3,686.1 million, representing a decrease of approximately RMB313.2 million as compared to December 31, 2019. All of the borrowings are repayable within one year amounted to approximately RMB3,686.1 million, representing an increase of RMB1,407.3 million as compared to December 31, 2019. All of the borrowings are denominated in US dollars and Hong Kong dollars. The borrowings are all at fixed interest rates. No hedging instruments were used for borrowings.

Our gearing ratio, which is defined as total borrowings less cash and cash equivalents ("**Net Borrowings**") divided by the sum of Net Borrowings and total equity, decreased from 321.0% as at December 31, 2019 to negative 3,445.2% as at December 31, 2020, primarily due to the losses incurred in 2020.

Our total borrowings to adjusted EBITDA ratio, which is defined as total borrowings divided by adjusted EBITDA increased from 12.4 as at December 31, 2019 to 13.6 as at December 31, 2020.

Market Risks

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

Oil and gas price risk

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

Currency risk

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

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

CHARGES ON GROUP ASSETS

As at December 31, 2020, bank accounts, shares of subsidiaries and oil and gas assets of the Group were pledged to secure borrowings in the aggregate amount of RMB2,065.4 million.

EMPLOYEES

As at December 31, 2020, the Company had 1,007 employees, all based in China (Mainland and Hong Kong). There are no material changes to the information disclosed in the 2019 Annual Report in respect of the remuneration of employees, remuneration policies and staff development.

CONTINGENCIES

There were no contingent liabilities of the Group as at December 31, 2020.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended December 31, 2020 (2019: NIL).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company ("**AGM**") is scheduled to be held on Friday, June 25, 2021. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, June 22, 2021 to Friday, June 25, 2021, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all completed transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, June 21, 2021, being the last registration date.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the consolidated financial information of the Group for the year ended December 31, 2020 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, 2020 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, 2020:

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, 2020, the Group incurred a net loss of RMB1,351.3 million. As at December 31, 2020, the Group had a shareholders' deficit of RMB3,772.1 million and its current liabilities exceeded its current assets by RMB4,891.4 million. As at the same date, the Group had total borrowings of RMB3,686.1 million, all of which were recorded under current liabilities, while the Group had bank balances totalling RMB67.6 million, of which RMB20.4 million was unrestricted.

On May 11, 2020, the Group did not pay the interest of RMB120.5 million (US$17.1 million) accrued on the senior notes in the principal amount of US$248.4 million (equivalent to approximately RMB1,620.7 million) (the "**2022 Senior Notes**") due on April 12, 2020, which resulted in an event of default by the Group. As a result, the entire balance of the principal and related outstanding interest due on the 2022 Senior Notes became immediately repayable if requested by the holders of such notes (the "**Noteholders**") and was classified as a current liability as at December 31, 2020. This event of default also triggered the cross-default of all secured borrowings in the total principal amount of RMB2,065.4 million as described in Note 2.1.1 (the "**Cross-Defaulted Borrowings**") and immediate repayment of all such borrowings if requested by the respective lenders of these borrowings (the "**Lenders**"). In addition, all the Cross-Defaulted Borrowings were also subsequently defaulted because of non-payment at their respective due dates.

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.

Management of the Company has undertaken 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: (i) the Lenders and the Noteholders not taking any actions against the Group to exercise their rights to demand immediate payment of the principals and interest of the Cross-Defaulted Borrowings and the 2022 Senior Notes before the finalisation of the debt restructuring plans and execution of the restructuring agreements; (ii) successfully securing the required agreement of the Lenders and the Noteholders and completion of all necessary procedures by the Group for the restructuring agreements under the debt restructuring plans to be executed; and the Group's ability to continuously comply with the terms and conditions stipulated therein upon execution; (iii) actual oil prices throughout the forecast period being in line with the projected levels included in the cashflow projections; and (iv) the Group's ability to generate operating cash flows and to obtain additional sources of financing, other than those mentioned above, to finance the Group's oil exploration and production business, including capital expenditures needed to drill new wells, as well as other funding needs.

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

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

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, 2020.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the year ended December 31, 2020, except for Code Provision A.4.2 as explained below.

Code Provision A.4.2

Code Provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Mr. Zhao Jiangwei was re-elected as executive director of the Company at the annual general meeting held on June 30, 2017, but had not been subject to retirement by rotation in 2020. This constitutes a deviation from Code Provision A.4.2. The reason for such deviation is set out below.

The publication of the announcement of the 2019 annual results was delayed because the auditing process for the 2019 annual results was not completed due to certain material uncertainties of the Company. Given the delay in the results announcement, the annual general meeting to, among other things, adopt the audited financial statements and re-elect directors was also delayed. The Company did not hold its 2019 annual general meeting until January 14, 2021, making the term of Mr. Zhao extending more than three years.

The Company considers the deviation one time in nature, being caused by the unexpected delay of the AGM and does not have any material impact on the Company.

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, 2020. In addition, no incident of non-compliance of the Model Code by the employees was noted by the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The electronic version of this annual results announcement is published on the websites of the Company (www.mienergy.com.cn), Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and Singapore Exchange Securities and Trading Limited (www.sgx.com). An annual report for the year ended December 31, 2020 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 25, 2021. Notice of the AGM will be published and sent to shareholders of the Company in due course.

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

Hong Kong, March 31, 2021

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.