MIE HOLDINGS CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1555)

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

FINANCIAL SUMMARY

	Unaudited Six months ended June 30, 2018	2017
	RMB'000	*RMB'000*
Revenue	**1,205,868**	336,395
EBITDA	**193,059**	(236,766)
Adjusted EBITDA	**313,782**	205,067
Loss for the period	**(521,253)**	(673,546)
Basic loss per share (RMB per share)	**(0.180)**	(0.240)
Diluted loss per share (RMB per share)	**(0.180)**	(0.240)

	As at June 30, 2018	December 31, 2017
	RMB'000	*RMB'000*
Property, plant and equipment	**6,247,112**	7,719,859
Cash and cash equivalents	**83,596**	132,172
Total assets	**8,945,944**	11,308,343
Total equity	**(879,428)**	(268,461)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended June 30,	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue		**1,205,868**	336,395
Depreciation, depletion and amortization		**(385,786)**	(176,872)
Exploration and evaluation expense		**(12,903)**	–
Taxes other than income taxes	*4*	**(6,966)**	(7,935)
Employee compensation costs		**(228,092)**	(60,691)
Purchases, services and others		**(587,236)**	(43,945)
Distribution expenses		**(77,598)**	(8,810)
General and administrative expenses		**(51,865)**	(47,227)
Impairment		**(3,194)**	(3,430)
Other losses, net	*5*	**(35,983)**	(411,984)
Finance income		**28,028**	21,756
Finance costs		**(414,525)**	(219,676)
Share of (losses)/profits of investments in associates		**(8,972)**	10,861
Loss before income tax		**(579,224)**	(611,558)
Income tax credits/(expense)	*6*	**57,971**	(61,988)
Loss for the period		**(521,253)**	(673,546)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

		Unaudited Six months ended June 30,	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Currency translation differences		**(134,727)**	49,932
Change in the fair value of equity instruments at fair value through other comprehensive income		**(3,190)**	–
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		**–**	(5,980)
Share of other comprehensive income of investments in associates		**(2,602)**	2,053
Other comprehensive (loss)/income for the period, net of tax		**(140,519)**	46,005
Total comprehensive loss for the period		**(661,772)**	(627,541)
Loss for the period attributable to:			
Owners of the Company		**(521,233)**	(673,546)
Non-controlling interests		**(20)**	–
		(521,253)	(673,546)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**6,247,112**	7,719,859
Intangible assets		**782,034**	708,193
Investments in associates		**–**	182,541
Deferred income tax assets		**766**	334
Available-for-sale financial assets		**–**	67,132
Derivative financial instruments		**3,214**	25,652
Financial assets at fair value through other comprehensive income		**65,026**	–
Prepayments, deposits and other receivables		**754,129**	727,966
Restricted cash		**43,831**	43,285
		7,896,112	9,474,962
Current assets			
Inventories		**18,241**	16,745
Prepayments, deposits and other receivables		**558,799**	751,426
Available-for-sale financial assets		**–**	111,228
Financial assets at fair value through profit or loss		**68,801**	–
Trade receivables	*9*	**292,608**	407,035
Derivative financial instruments		**27,787**	342,763
Restricted cash		**–**	72,012
Cash and cash equivalents		**83,596**	132,172
		1,049,832	1,833,381
Total assets		**8,945,944**	11,308,343

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	**Unaudited June 30, 2018** *RMB'000*	Audited December 31, 2017 *RMB'000*
Equity			
Equity attributable to owners of the Company			
Share capital		**1,068,796**	1,068,796
Other reserves		**(37,601)**	47,265
Accumulated losses		**(1,910,576)**	(1,384,495)
		(879,381)	(268,434)
Non-controlling interests		**(47)**	(27)
Total equity		**(879,428)**	(268,461)
Liabilities			
Non-current liabilities			
Borrowings	*10*	**3,128,147**	4,520,457
Deferred income tax liabilities		**524,003**	589,281
Trade and notes payable	*11*	**26,902**	26,529
Provisions, accruals and other liabilities	*12*	**1,664,061**	2,620,311
Derivative financial instruments		**24,806**	5,574
Financial liabilities at fair value through profit or loss		**1,314,246**	1,067,626
		6,682,165	8,829,778
Current liabilities			
Trade and notes payable	*11*	**402,741**	392,984
Provisions, accruals and other liabilities	*12*	**480,514**	718,598
Current income tax liabilities		**96,139**	97,233
Derivative financial instruments		**59,709**	9,200
Borrowings	*10*	**2,104,104**	1,529,011
		3,143,207	2,747,026
Total liabilities		**9,825,372**	11,576,804
Total equity and liabilities		**8,945,944**	11,308,343

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

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

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The condensed interim consolidated financial information is presented in Chinese Renminbi ("RMB") unless otherwise stated. The condensed interim consolidated financial information was authorized for issuance by the board of directors ("Board of Directors") on August 24, 2018.

This condensed interim consolidated financial information has not been reviewed nor audited.

2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2017.

The following amended standards are mandatory for the first time for the Group's financial year beginning on January 1, 2018 and are applicable for the Group:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

Amendments to IFRS effective for the financial year beginning on January 1, 2018 do not have a material impact on the Group's unaudited condensed consolidated interim financial information other than IFRS 9 and IFRS 15.

The adoption of IFRS 9 and IFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 9 and IFRS 15, the Group has adopted the new rule under the modified retrospective approach and the comparative figures have not been restated.

In addition, the IASB also published a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning on or after January 1, 2019 and have not been early adopted by the Group. Management is assessing the impact of such new standards and amendments to standards and will adopt the relevant standards and amendments to standards in the subsequent periods as required.

3. SEGMENT INFORMATION

The Board of Directors assesses the performance of the operating segments based on each segment's results.

The segment information provided to the Board of Directors for the reportable segments for the six months ended June 30, 2018 is as follows:

	PRC *RMB'000*	North America *RMB'000*	Corporate and other segments *RMB'000*	Total *RMB'000*
Segment revenue				
Timing of revenue recognition	**333,273**	**872,595**	**–**	**1,205,868**
— At a point in time	**333,273**	**872,595**	**–**	**1,205,868**
Depreciation, depletion and amortization	**(150,061)**	**(235,620)**	**(105)**	**(385,786)**
Taxes other than income taxes *(Note 4)*	**(2,399)**	**–**	**(4,567)**	**(6,966)**
Employee compensation costs	**(26,609)**	**(128,420)**	**(73,063)**	**(228,092)**
Purchases, services and others	**(45,437)**	**(541,799)**	**–**	**(587,236)**
Geological and geophysical expense	**–**	**(12,903)**	**–**	**(12,903)**
Distribution expenses	**(7,215)**	**(70,383)**	**–**	**(77,598)**
General and administrative expenses	**(8,233)**	**(18,210)**	**(25,422)**	**(51,865)**
Impairment	**–**	**–**	**(3,194)**	**(3,194)**
Other losses, net	**15,357**	**(122,687)**	**71,347**	**(35,983)**
Finance income	**68**	**661**	**27,299**	**28,028**
Finance costs	**(45,310)**	**(160,481)**	**(208,734)**	**(414,525)**
Share of losses of investments in associate	**–**	**(8,972)**	**–**	**(8,972)**
Profit/(loss) before income tax	**63,434**	**(426,219)**	**(216,439)**	**(579,224)**
Income tax (expense)/credits	**(19,201)**	**74,707**	**2,465**	**57,971**
Profit/(loss) for the period	**44,233**	**(351,512)**	**(213,974)**	**(521,253)**

As at June 30, 2018:

	PRC *RMB'000*	North America *RMB'000*	Corporate and other segments *RMB'000*	Total *RMB'000*
Total assets	**2,216,948**	**5,357,515**	**1,371,481**	**8,945,944**
Total liabilities	**1,223,816**	**4,790,355**	**3,811,201**	**9,825,372**

3. SEGMENT INFORMATION (Continued)

For the six months ended June 30, 2017:

	PRC *RMB'000*	North America *RMB'000*	Corporate and other segments *RMB'000*	Total *RMB'000*
Segment revenue	334,612	1,783	–	336,395
Depreciation, depletion and amortization	(175,905)	(878)	(89)	(176,872)
Taxes other than income taxes *(Note 4)*	(1,798)	–	(6,137)	(7,935)
Employee compensation costs	(31,920)	(1,718)	(27,053)	(60,691)
Purchases, services and others	(42,761)	(1,184)	–	(43,945)
Distribution expenses	(8,810)	–	–	(8,810)
General and administrative expenses	(10,181)	(1,926)	(35,120)	(47,227)
Impairment	–	–	(3,430)	(3,430)
Other losses, net	(37,350)	–	(374,634)	(411,984)
Finance income	230	5	21,521	21,756
Finance costs	(34,070)	13,391	(198,997)	(219,676)
Share of profits of investments in associate	–	–	10,861	10,861
(Loss)/profit before income tax	(7,953)	9,473	(613,078)	(611,558)
Income tax expense	(61,768)	(1)	(219)	(61,988)
(Loss)/profit for the period	(69,721)	9,472	(613,297)	(673,546)

As at June 30, 2017:

	PRC *RMB'000*	North America *RMB'000*	Corporate and other segments *RMB'000*	Total *RMB'000*
Total assets	2,660,708	378,314	2,958,081	5,997,103
Total liabilities	1,168,217	3,418	4,800,100	5,971,735

3. SEGMENT INFORMATION (Continued)

All segment information above represents 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 condensed interim consolidated statement of comprehensive income.

	For the six months ended June 30	
	2018	2017
	RMB'000	*RMB'000*
Sales of oil and gas	**1,124,205**	334,744
Provision of services	**81,663**	1,651
	1,205,868	336,395

For the six months ended June 30, 2018, total revenue from crude oil and gas sales in the PRC amounting to RMB333.3 million (six months ended June 30, 2017: RMB333.0 million) are derived solely from PetroChina Company Limited ("PetroChina").

4. TAXES OTHER THAN INCOME TAXES

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
PRC		
Petroleum special Profit charge	**602**	–
Urban construction tax and education surcharge	**1,754**	1,755
Others	**43**	43
	2,399	1,798
Corporate and other segments		
Withholding tax and others *(Note)*	**4,567**	6,137
	6,966	7,935

Note:

For the six months ended June 30, 2018, all (2017: all) withholding tax is related to interest expense arising from the intra-group loans.

5. OTHER LOSSES, NET

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
Reverse of provisions/(provisions) for receivables	**83,964**	(422,005)
Gains/(losses) on changes in fair value of financial instruments	**(101,701)**	20,802
Losses on disposal of assets,net	**(14,377)**	–
Losses on disposal of financial assets at fair value through profit or loss (FVPL)	**(3,198)**	–
Losses on disposal of available-for-sale financial assets	**–**	(22,190)
Tax refund	**–**	7,160
Others	**(671)**	4,249
	(35,983)	(411,984)

6. INCOME TAX EXPENSE/(CREDITS)

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
Current income tax *(Note)*	**153**	220
Deferred income tax	**(58,124)**	61,768
	(57,971)	61,988

Note:

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

Income tax expense is recognized based on management's estimate of the annual income tax rate applicable to the respective group entities expected for the full financial year. The estimated income tax rates applicable to the group entities (excluding group companies that are currently tax exempted) for the year ending December 31, 2018 varies from 15% to 30%.

7. EARNINGS 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 outstanding during the six-month period.

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	**(521,233)**	(673,546)
Weighted average number of ordinary shares (thousands)	**2,900,018**	2,810,538
Basic losses per share	**(0.180)**	(0.240)

7. EARNINGS PER SHARE (Continued)

(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.

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
Losses		
Loss attributable to owners of the Company used to determine diluted earnings per share	**(521,233)**	(673,546)
Weighted average number of ordinary shares outstanding (thousands)	**2,900,018**	2,810,538
Weighted average number of diluted potential ordinary shares for diluted earnings per share (thousands)	**2,900,018**	2,810,538
Diluted losses per share	**(0.180)**	(0.240)

8. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the six months ended June 30, 2018 (2017: nil).

9. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	As at	
	June 30, 2018	December 31, 2017
	RMB'000	*RMB'000*
Up to 30 days	**222,687**	195,149
31–180 days	**14,575**	190,529
Over 180 days	**55,346**	21,357
	292,608	407,035

The Group's trade receivables have credit terms of between 30 days to 180 days.

The fair value of trade receivables approximates their carrying amount.

10. BORROWINGS

	As at	
	June 30, 2018	December 31, 2017
	RMB'000	*RMB'000*
Non-current		
— Senior notes *(Note(a))*	**–**	2,034,974
— Secured bank loans	**472,528**	610,289
— Other loans *(Note(b))*	**2,655,619**	1,875,194
	3,128,147	4,520,457
Current		
— Senior notes *(Note(a))*	**2,071,478**	1,185,328
— Secured bank loans	**–**	260,045
— Other loans *(Note(b))*	**32,626**	83,638
	2,104,104	1,529,011
	5,232,251	6,049,468

Note(a) Senior Notes

			As at	
	Coupon rate	**Due date**	**June 30, 2018**	December 31, 2017
			RMB'000	*RMB'000*
2018 Notes	6.875%	February 6, 2018	**–**	1,185,328
2019 Notes	7.5%	April 25, 2019	**2,071,478**	2,034,974
			2,071,478	3,220,302

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

10. BORROWINGS (Continued)

Movements in borrowings during the six months ended June 30, 2018 are analysed as follows:

	Bank borrowings *RMB'000*	Senior Notes *RMB'000*	Third party institution *RMB'000*	Total *RMB'000*
Carrying amounts as at January 1, 2018	**870,334**	**3,220,302**	**1,958,832**	**6,049,468**
Drawdown of new borrowing	**51,980**	**–**	**784,843**	**836,823**
Repayments of borrowing	**(411,982)**	**(1,150,179)**	**(205,067)**	**(1,767,228)**
Amortization of discounts	**–**	**12,486**	**111,105**	**123,591**
Exchange differences	**(37,804)**	**(11,131)**	**38,532**	**(10,403)**
Carrying amounts as at June 30, 2018	**472,528**	**2,071,478**	**2,688,245**	**5,232,251**

Note(b): Other loans

On February 1, 2018, the Company entered into a term loan facility agreement with a third party institution (the "Lender"), whereby the Lender has granted a facility in aggregate of approximately HK$390.0 million to the Company. The loan is secured by a second fixed charge over certain charged properties. As at June 30, 2018, all facilities have been drawn down by the Company.

On January 23, 2018, the Company entered into a term loan facility agreement with a third party institution (the "Lender"), whereby the Lender has granted a facility in aggregate of approximately US$100.0 million to the Company. The loan is secured by the Company's certain account in China Minsheng Banking Corporation, all the issued and outstanding shares in MIE International Resources Limited, all the PSC interest held by MIE International Resources Limited, relevant security documents, and various guarantors. As at June 30, 2018, an amount of US$60.0 million has been drawn down by the Company.

On January 30, 2018, the Company entered into a term loan agreement with a third party individual (the "Lender"), whereby the Lender has granted a loan in aggregate of US$5.0 million to the Company.

11. TRADE AND NOTES PAYABLE

The aging analysis of the trade and notes payable is as follows:

	As at	
	June 30, 2018 *RMB'000*	December 31, 2017 *RMB'000*
Up to 6 months	**353,536**	382,575
6 months–1 year	**50,302**	13,589
1–2 years	**14,164**	6,202
2–3 years	**1,341**	3,300
Over 3 years	**10,300**	13,847
	429,643	419,513

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

12. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

Movements of asset retirement obligations are as follows:

	RMB'000
At January 1, 2018	**2,672,886**
Additional provision	**150**
Change in accounting estimate	**(849,800)**
Acquisition	**1,871**
Disposals of asset	**(74,692)**
Amortization of discounts	**81,692**
Abandonment expenditure drawdowns	**(19,389)**
Exchange differences	**(105,321)**
At June 30, 2018	**1,707,397**

13. JOINT ARRANGEMENTS

Summary of the Acquisition

In March 2018, the Group acquired 10% foreign contractor's participating interest in each of Daan and Moliqing blocks within the Daan and Moliqing oilfields located in Northeast region in the PRC from Global Oil Corporation ("GOC"), a limited liability company incorporated in Bahamas, with an aggregate consideration of US$55.0 million in cash (equivalent to RMB346.8 million) (the "Acquisition").

Before completion of this Acquisition, the Group and GOC respectively held a 90% and a 10% of the foreign contractor's participating interest in Daan PSC (collectively the "Foreign Contractors"). Upon completion of this Acquisition, the Group hold the entire 100% share of Foreign Contractor's interest in Daan PSC.

For Moliqing PSC, the Group disposed its entire interest in December 2017 by way of disposal of all its equity interest of the relevant holding company of the Moliqing block. Upon completion of this Acquisition, the Group hold a 10% share of the foreign contractor's participating interest in Moliqing PSC.

The Daan and Moliqing oilfields had been in the commercial production phase since 2005 and 2008, respectively, the Daan PSC would expire after about six years in 2024, whereas the Moliqing PSC would expire after about ten years in 2028. The Group conducts the development and production activities under the Daan PSC and Moliqing PSC jointly with PetroChina as a 100% Foreign Contractor and a 10% Foreign Contractor respectively. The remainder 90% Foreign Contractor of Moliqing PSC is Riyadh Energy Limited ("Riyadh Energy"). These PSCs establish joint control over the development and production activities. The assets are not owned by a separate legal entity but are controlled by individual participants in the PSCs. Each participant is entitled to a predetermined share of the related output and bears an agreed share of the costs.

In accordance with IFRS 11 Joint Arrangements, where a joint operator acquires an interest in a joint operation, the accounting treatment depends on whether the activity of the acquired joint operation constitutes a business. The joint operator should apply business combination accounting to the extent of its share, where the activity of the joint operation constitutes a business.

13. JOINT ARRANGEMENTS (Continued)

Summary of the Acquisition (Continued)

As at June 30, 2018, the Group is in the process of the fair value assessment for the purchase price allocation under IFRS 3 Business Combination for the joint operations acquired under the Acquisition. The Group reported in the six months ended June 30, 2018 the provisional amounts for the below assets and liabilities recognised as a result of the Acquisition for which the evaluation is in the process. During the measurement period (not exceeding one year from the acquisition date), the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained regarding facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised in the six months ended June 30, 2018.

Acquisition-related costs of RMB0.7 million have been charged to general and administrative expense in the condensed interim consolidated statement of comprehensive income for the six months period ended June 30, 2018.

The revenue included in the consolidated statement of comprehensive income since March 29, 2018 contributed by MIE International Resources Limited was RMB20.1 million and also contributed profit of RMB1.4 million over the same period.

	RMB'000
Total consideration	**346,753**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	221,870
Intangible assets	58,912
Other assets	1,382
Deferred tax liability	(14,641)
Asset retirement obligation	(1,871)
Total identifiable net assets	**265,652**
Goodwill	81,101

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

In the first half of 2018 ("1H2018", the "Current Period", or the "Period"), in response to a complicated economic environment of bullish global crude oil prices paralleled with suppressed Canadian natural gas pricing, MIE Holdings Corporation (the "Company"), together with its subsidiaries (collectively, the "Group"), strategically increased investment in crude production by drilling new oil wells and enhancing production on vintage well bores, while reduced capital expenditures on natural gas assets in Canada . In 1H2018, both the gross and net hydrocarbon production of the Group increased remarkably compared to the first half of 2017 ("1H2017" or the "Prior Period") due to the Group's acquisition of 100% interest in CQ Energy Canada Partnership, a Canadian oil and gas exploration and development company, through a wholly-owned subsidiary in Canada, Canlin Energy Corporation ("Canlin Energy" or "Canlin"), in the second half of 2017 ("Canlin Acquisition"). The Group's gross oil and gas production increased by 3.38 times to about 10.47 million barrels of oil equivalent ("BOE"), while net production increased by 8.11 times to about 9.29 million BOE compared to the Prior Period. During the Current Period, the Group's net crude sales increased by 48.0% to approximately 1.51 million barrels, and Group's net natural gas sales was 44.87 billion standard cubic feet ("MMscf"). During the Current Period, the average realized crude price of the Group increased by 26.7% to US$59.68 per barrel, while average realized natural gas price decreased to US$1.24 per thousand standard cubic feet ("Mscf"). As a result of Canlin Acquisition and crude price rebound in the Current Period, the realized sales revenue increased by 2.58 times to RMB1,206 million compared to 1H2017. Reported EBITDA in Current Period is RMB193 million, an increase of RMB430 million compared to the Prior Period. The adjusted EBITDA increased by 53.0% to approximately RMB314 million in the Current Period. In 1H2018, the Group reported a net loss of RMB521 million, a RMB152 million improvement versus the Prior Period.

The following table sets out a summary of the expenditures incurred in our exploration, development, and production activities for the six months ended June 30, 2018.

(RMB millions)	Exploration expenditures	Development expenditures	Production/ operating expenditures
China Onshore Projects (Daan, Moliqing)	–	24	59
USA (Condor)	–	–	1
Canada (Canlin Energy)	–	86	500
Total	–	110	560

The Group incurred development expenses of RMB110 million during the six months ended on June 30, 2018, of which RMB24 million was incurred in China and RMB86 million was incurred in Canadian operations; the production expenses amounted to RMB560 million, of which RMB59 million was incurred in China, RMB500 million was incurred in Canadian operations, and RMB1 million was incurred in operations in the US.

China operations (Daan, Moliqing, South China Sea)

In 1H2018 the Group strategically acquired 10% foreign contractor's participating interest in the Daan production sharing contract ("PSC") and Moliqing PSC. In Northeastern China, the Group holds 100% interest in the Daan PSC and 10% interest in the Moliqing PSC starting from April 2018. In 1H2018, the average realized oil price of the Daan and Moliqing projects increased by 32.4% from the US$47.10 per barrel Prior Period to US$62.34 barrel. As the price of crude oil rebounds, the Group increased capital expenditure in drilling new oil wells and enhancing production on old wells in order to maintain Daan project's high production level. The Daan project planned to drill 29 wells throughout the year , eight wells were drilled actually in 1H2018. 859,600 barrels of oil were attributed to the Group from Daan and Moliqing projects PSCs in 1H2018. The net daily production volume from the Daan project and Moliqing Project decreased 9.6%, from 5,590 barrels per day("BPD") in 1H2017 to 5,052 BPD in 1H2018 primarily due to divestment of 90% foreign contractor's interest in the Moliqing PSC on December 15, 2017.

As of June 30, 2018, the Group holds a 34% interest in the South China Sea Project. China National Offshore Oil Corp. ("CNOOC") has been engaged to complete a feasibility study report and overall development plan ("ODP") for the oilfield development. The oilfield development feasibility study report was reviewed by CNOOC in July 2018, and the ODP is scheduled to be completed in December 2018. A successful development of the block would help the Group to gain experiences in offshore petroleum operations.

North America Operations

- Canada (Canlin Energy, Journey)

  Canadian natural gas prices have been bearish in 1H2018, and AECO prices in Canada have reached their lowest levels in recent years in June. Canlin Energy, like other gas-weighted Canadian producers, implemented measures to manage natural gas production, including tighter control of capital expenditures to endure the prolonged low price environment. In the meantime, Canlin Energy continued to optimize management, fine tune portfolio management, improve operating efficiency, and use financial instruments to hedge risks from commodity price fluctuations.

  In 1H2018, Canlin Energy achieved production of 8.43 million BOE with 44.872 billion standard cubic feet ("Bscf") of natural gas, 0.28 million barrels of natural gas liquid ("NGL") and 0.67 million barrels of oil. The average daily production of nature gas was 247.91 MMscf per day, the average daily NGL production was 1,546 BPD and the average daily production of crude oil was 3,729 BPD. During 1H2018, Canlin Energy realized average selling prices at US$1.24/Mscf for natural gas and US$56.36/bbl for oil. The gross revenue of Canlin Energy was RMB871 million, which accounted for 72.2% of the Group's total revenue. The adjusted EBITDA was RMB119.4 million, which accounted for 38.1% of the Group's adjusted EBITDA.

In 1H2018, Canlin Energy disposed of 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 for a consideration of approximately C$59.1 million, after interim adjustments pursuant to the agreement for the repayment of bank borrowings.

Journey Energy Inc. ("Journey") drilled six wells in 1H2018. The average daily production was 10,076 BOED, 1.2% lower than the average daily production of 10,194 BOED in 1H2017. In consideration of the Group's going forward strategies, the Group disposed of the entire issued share capital of Journey by August 2018.

- USA(Condor)

  The average daily production of crude oil during the Current Period was 23 BPD, having decreased by 23.3% from the Prior Period's 30 BPD; and the average daily production of natural gas in the Current Period was 11 Mscf per day, having decreased by 35.3% from 17Mscf per day during the Prior Period. In consideration of our going forward strategy to focus on the development of core asset, the Group disposed of the entire issued share capital of Condor Energy Technology LLP ("Condor") in August 2018.

Kazakhstan Operations (Emir-Oil)

With the recovery of crude prices, Emir-Oil increased its production in 1H2018, with 24 wells producing at its peak. The net production during the Period was 205,500 Barrels, an increase of 31,900 barrels or 18.4% compared to 1H2017. The daily crude net production was 1,135 BPD an increase of 176 BPD compared to 1H2017.

Overall, in response to the rapid rebound of crude oil prices in 1H2018, the Group made timely adjustments to its original annual production plan and directed capital into crude developments, including new well drillings and re-completion of old wells which resulted in significant boost to crude production. The disposal of non-core assets in 1H2018 lowered debt levels and interest burden thereby strengthened the balance sheet. As natural gas prices remained low in Canada in 1H2018, Canlin Energy production volume has yet to contribute to the Group's profitability; the free cash flow generated from the Northeastern China oilfields played an irreplaceable role in the Group's operation in the Period.

OUTLOOK FOR 2018

In 1H2018, despite concerns around potential trade disputes, the world economy continued to grow and fostered strong growth in oil demand. The OECD crude inventories returned to their normal levels. Supported by the strong demand, oil prices rebounded rapidly in 1H2018. Uncertainties still exist on the supply side, however these uncertainties could drive crude price's continuous upswing and support a high price range in 2H2018. Canadian natural gas price suffered in 1H2018 and had reached its lowest levels in recent years. Considering seasonality of demand, the market speculates that natural price could come back in 2H2018.

Operating in such a challenging macro environment, the Group will focus on financial flexibility and agility. The Group will continue to boost crude production by investing in oil assets, re-completing suitable old wells, and drilling new wells. The Group expects substantial economic gains to emerge with elevated crude oil production. In 2H2018, natural gas production will reflect local price volatilities, the Group will adjust production level to generate optimal returns. As an international oil and gas producer, the Group is well on its course to maximize shareholder values by executing long term strategy with discipline and prudence.

In consideration of strengthening crude prices and the disposal of non-core oil and gas assets, the Group's adjusted annual plan for 2018 is set out below:

	Interest *(%)*	**Numbers of Wells Net**	**Group Net Capex Investment** *(millions of US$)*	**Net production**
China Onshore Projects (Daan)	Daan 100%;	30	20	4,880–5,280 BPD
— crude oil	Moliqing 10%			4,880–5,280 BPD
Canada (Canlin Energy)	100%	–	50	47,500–51,170 BOED
— crude oil		–		3,750–4,275 BPD
— NGL				1,250–1,425 BPD
— natural gas		–		255,000–272,820 MSCF
USA (Condor)	100%	–		27 BPD
— crude oil		–		27 BPD
Group Total		30	70	52,327–56,397 BOED

REVIEW OF FINANCIAL RESULTS

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Revenue

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

The Group's revenue from sales of oil and gas increased by RMB789.5 million, or 235.9%, from RMB334.7 million for the six months ended June 30, 2017 to RMB1,124.2 million for the six months ended June 30, 2018. This increase was mainly due to Canlin Acquisition, which contributed revenue of RMB789.3 million during the six months ended June 30, 2018. There was increase in crude oil price during the course of 2018 as well. Average realized oil price for the Group was US$59.68 per barrel for the six months ended June 30, 2018, compared to US$47.10 per barrel for the six months ended June 30, 2017. The Group's total crude oil sales volume was 1.52million barrels for the six months ended June 30, 2018, compared to 1.03 million barrels for the six months ended June 30, 2017.

The Group's revenue from rendering of services is RMB81.7 million for the six months ended June 30, 2018.

- **PRC**

  Revenue from our China oil fields was RMB333.3 million for the six months ended June 30, 2018, compared to RMB334.6 million for the six months ended June 30, 2017.The average realized oil price was US$62.34 per barrel for the six months ended June 30, 2018, compared to US$47.10 per barrel for the six months ended June 30, 2017. Our sales volume was 0.84 million barrels for the six months ended June 30, 2018, compared to 1.03 million barrels for the six months ended June 30, 2017, the decrease was mainly due to: i) the disposal of Riyadh Energy Limited in 2017, which contributed sales volume of 0.14 million barrels during the first half year of 2017; ii) the sales volume of Daan decreased by 0.10 million barrels, or 11.0%, from 0.89 million barrels for the six months ended June 30, 2017 to 0.79 million barrels for the six months ended June 30, 2018; partially offset by: i) the realized average price of Daan increased by US$15.23 per barrel, or 32.3%, from US$47.1 per barrel for the six months ended June 30, 2017 to US$62.34 per barrel for the six months ended June 30, 2018; ii) on March 29, 2018, the Group acquired 10% participating interest in the foreign contractors' entitlement and obligation under the PSCs for each of the Daan oilfield and the Moliqing oilfield, which contributed revenue of RMB20.1 million during the three months ended June 30, 2018.

- **North America**

  Canada

  During the six months ended June 30, 2018, our Canada oil fields realized revenue from crude oil sales of RMB243.0 million. The average realized oil price was US$56.36 per barrel, with sales volume of 0.67 million barrels.

  During the six months ended June 30, 2018, our Canada operations realized revenue from gas sales of RMB354.4 million, with a realized gas price of US$1.24 per Mscf and total gas sales volume of 44.87 Bscf.

  During the six months ended June 30, 2018, our Canada operations realized revenue from NGL sales of RMB44.1 million, with a realized gas price of US$24.7 per barrel and total NGL sales volume of 0.28 million barrels.

  During the six months ended June 30, 2018, our Canada oil fields realized revenue from Sulphur sales of RMB34.8 million, processing income of RMB81.7 million and other revenue of RMB113.0 million.

  USA

  During the six months ended June 30, 2018, our US oil fields realized revenue from crude oil sales of RMB1.6 million. The average realized oil price was US$62.43 per barrel, with sales volume of 4,036 barrels. During the six months ended June 30, 2017, our US oil fields realized revenue from crude oil sales of RMB1.8 million. The average realized oil price was US$46.85 per barrel, with sales volume of 5,461 barrels.

Operating expenses

- *Depreciation, depletion and amortization.* The Group's depreciation, depletion and amortization increased by RMB208.9 million, or 118.1%, from RMB176.9 million for the six months ended June 30, 2017 to RMB385.8 million for the six months ended June 30, 2018. The increase in depreciation, depletion and amortization was mainly due to Canlin Acquisition, which had depreciation, depletion and amortization of RMB234.4 million for the six months ended June 30, 2018.

- *Taxes other than income taxes.* The Group's taxes other than income taxes decreased by RMB0.9 million, or 11.4%, from RMB7.9 million for the six months ended June 30, 2017 to RMB7.0 million for the six months ended June 30, 2018. The following table summarizes the Group's taxes other than income taxes for the six months ended June 30, 2018 and 2017:

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
PRC		
Petroleum special Profit charge	**602**	–
Urban construction tax and education surcharge	**1,754**	1,755
Others	**43**	43
	2,399	1,798
Corporate and other segments		
Withholding tax and others	**4,567**	6,137
	6,966	7,935

PRC

The Ministry of Finance of the People's Republic of China ("MOF") had decided to increase the threshold of the special oil income levy from US$55 to US$65 per barrel, effective from January 1, 2015.The increase of petroleum special profit charge was due to the realized oil price of US$68.46 per barrel in June 2018, which exceeded the threshold slightly.

Corporate and other segments

Withholding Tax

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

- *Employee compensation costs*. The Group's employee compensation costs increased by RMB167.4 million, or 275.8%, from RMB60.7 million for the six months ended June 30, 2017 to RMB228.1 million for the six months ended June 30, 2018. The increase in employee compensation costs was primarily due to: i) Canlin Acquisition, which incurred employee compensation costs of RMB127.4 million during the six months ended June 30, 2018, and ii) the new share awards granted to employees amounted to RMB48.4 million.

- *Purchases, services and other expenses*. The Group's purchases, services and other expenses increased by RMB543.3 million, from RMB43.9 million for the six months ended June 30, 2017 to RMB587.2 million for the six months ended June 30, 2018. The increase was due to Canlin Acquisition, which incurred purchases, services and other expenses amounted to RMB540.8 million during the six months ended June 30, 2018.

- *Distribution and administrative expenses*. The Group's distribution and administrative expenses increased by RMB73.5 million, or 131.3%, from RMB56.0 million for the six months ended June 30, 2017 to RMB129.5 million for the six months ended June 30, 2018. The increase in distribution and administrative expenses was primarily due to: i) Canlin Acquisition, which incurred distribution and administrative expenses amounted to RMB86.5 million during the six months ended June 30, 2018, and ii) partially offset by the reduction of administrative expenses during the six months ended June 30, 2018, comparing to the six months ended June 30, 2017, which included expenses in relation to Canlin Acquisition amounted to RMB18.3 million.

- *Impairment*. For the six months ended June 30, 2018, the Group has recognized an impairment charge amounting to RMB3.2 million on investment in PetroBroad Copower Limited ("PetroBroad"), compared to total impairment of RMB3.4 million on investment in PetroBroad for the six months ended June 30, 2017.

- *Other losses, net*. The Group had net other losses of RMB36.0 million for the six months ended June 30, 2018, compared to other income of RMB412.0 million for the six months ended June 30, 2017. The decrease was mainly due to: i) the Group reversed provisions for receivables amounted to RMB84.0 million in 1H2018, however, the Group recorded provisions for receivables amounted to RMB422.0 million in 1H2017, which resulted in a large decrease of other loss amounted to RMB506.0 million and partially offset by ii) Canlin Acquisition, which incurred losses on changes in fair value of financial instruments amounted to RMB92.4 million during the six months ended June 30, 2018.

Finance costs, net

The Group's net finance costs increased by RMB188.6 million, or 95.3%, from RMB197.9 million for the six months ended June 30, 2017 to RMB386.5 million for the six months ended June 30, 2018. The increase in finance costs was mainly due to: i) Canlin Acquisition, which had financing costs of RMB98.7 million during the six months ended June 30, 2018, mainly for the accrued interest expense related to the asset retirement obligations; and ii) the effective interest rate of the borrowing for the Group increased.

Share of loss of associate

As at June 30, 2018, the Group held a 34% interest in PetroBroad and 40% interest in Palaeontol B.V., respectively. On February 1, 2018, the Group sold 24.8% interest in Journey and reclassified the remaining investment to financial assets at fair value through other comprehensive income on June 6, 2018. The share of investment loss from Journey amounted to RMB9 million during the six months ended June 30, 2018.

Loss before income tax

The Group's loss before income tax was RMB579.2 million for the six months ended June 30, 2018, compared to the loss before income tax RMB611.6 million for the six months ended June 30, 2017, representing a decrease of RMB32.4 million, or 5.3%. The decrease was primarily due to the cumulative effects of the above factors.

Income tax expense

The Group recorded income tax credit of RMB58.0 million for the six months ended June 30, 2018, compared to income tax expense of RMB62.0 million for the six months ended June 30, 2017, representing a decrease of RMB120 million, or -193.5%. The effective tax rate for the six months ended June 30, 2018 was 10%, compared to the effective tax rate for the six months period ended June 30, 2017 of negative 10%.

Loss for the period

The Group's loss for the six months ended June 30, 2018 was RMB521.3 million, compared to the loss of RMB673.5 million for the six months ended June 30, 2017, having decreased by RMB152.2 million, or negative 22.6%. This decrease was primarily due to the cumulative effects of the above factors.

EBITDA AND ADJUSTED EBITDA

We provide a reconciliation of EBITDA and adjusted EBITDA to loss for the Current Period, with our most directly comparable financial performance calculated and presented in accordance with IFRS. EBITDA refers to earnings before income tax, finance income, finance costs and depreciation, depletion and amortization. Adjusted EBITDA refers to EBITDA adjusted to exclude non-cash and non-recurring items such as value of employee services under stock option schemes, assets impairment loss, losses/(gains) on changes in fair value of financial instruments, withholding tax arising from intercompany loan, (reverse of provision)/provisions for receivables, losses on disposal of FVPL assets, gains on disposal of partial assets of Canlin, losses on disposal of Journey and any other non-cash or non-recurring income/expenses.

We have included EBITDA and adjusted EBITDA as we believe EBITDA is a financial measure commonly used in the oil and gas industry. We believe that EBITDA and adjusted EBITDA are used as supplemental financial measures by our management and by investors, research analysts, bankers and others, to assess our operating performance, cash flow and return on capital as compared to those of other companies in our industry, and our ability to take on financing. However, EBITDA and adjusted EBITDA should not be considered in isolation or construed as alternatives to profit from operations or any other measure of performance or as an indicator of our operating performance or profitability. EBITDA and adjusted EBITDA fail to account for 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 (for continuing operations only) to loss before income tax for each period indicated.

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
Loss before income tax	**(579,224)**	(611,558)
Finance income	**(28,028)**	(21,756)
Finance costs	**414,525**	219,676
Depreciation, depletion and amortization	**385,786**	176,872
EBITDA	**193,059**	(236,766)
Value of employee services under stock option schemes	**50,805**	13,122
Impairment	**3,194**	3,430
Losses/(Gains) on changes in fair value of financial instruments	**101,701**	(20,802)
Withholding tax	**4,441**	6,137
(Reverse of provisions)/provisions for receivables	**(83,964)**	422,005
Losses on disposal of FVPL assets	**3,198**	–
Losses on disposal of available-for-sale financial assets	**–**	22,190
Gains on disposal of Canlin partial assets	**(3,136)**	–
Losses on disposal of Journey	**17,512**	–
Exploration and evaluation expense	**12,903**	–
Others	**14,069**	(4,249)
Adjusted EBITDA	**313,782**	205,067

The Group's EBITDA increased by approximately RMB429.9 million, from approximately negative RMB236.8 million for the six months ended June 30, 2017 to approximately RMB193.1 million for the six months ended June 30, 2018. The increase was mainly due to: (i) the Group reversed provisions for receivables amounted to RMB84.0 million in 1H2018, however, the Group recorded provisions for receivables amounted to RMB422.0 million in 1H2017, which resulted in a large decrease of other loss amounted to RMB506.0 million; and (ii) the increase in realized oil price.

The Group's adjusted EBITDA increased by approximately RMB108.7 million, or 53%, from approximately RMB205.1 million for the six months ended June 30, 2017 to approximately RMB313.8 million for the six months ended June 30, 2018. The increase was mainly due to Canlin Acquisition, and the increase in realized oil price.

The Group's EBITDA and Adjusted EBITDA by operating segment for the six months ended June 30, 2018 and 2017 are set out below:

	Six months ended June 30, 2018			
	PRC *RMB'000*	North America *RMB'000*	Corporate *RMB'000*	Total *RMB'000*
Profit/(Loss) before income tax	**63,434**	**(426,219)**	**(216,439)**	**(579,224)**
Finance income	**(68)**	**(661)**	**(27,299)**	**(28,028)**
Finance costs	**45,310**	**160,481**	**208,734**	**414,525**
Depreciation, depletion and amortization	**150,061**	**235,620**	**105**	**385,786**
EBITDA	**258,737**	**(30,779)**	**(34,899)**	**193,059**
Value of employee services under stock option schemes	**699**	**–**	**50,106**	**50,805**
Impairment	**–**	**–**	**3,194**	**3,194**
Losses from changes in fair value of financial instruments	**–**	**92,417**	**9,284**	**101,701**
Withholding tax	**–**	**–**	**4,441**	**4,441**
(Reverse of provisions)/provisions for receivables	**(12,755)**	**769**	**(71,978)**	**(83,964)**
Gains on disposal of Canlin partial assets	**–**	**–**	**(3,136)**	**(3,136)**
Losses on disposal of Journey	**–**	**–**	**17,512**	**17,512**
Losses on disposal of FVPL assets	**–**	**–**	**3,198**	**3,198**
Exploration and evaluation expense	**–**	**12,903**	**–**	**12,903**
Others	**(1,854)**	**18,589**	**(2,666)**	**14,069**
Adjusted EBITDA	**244,827**	**93,899**	**(24,944)**	**313,782**

	Six months ended June 30, 2017			
	PRC	North America	Corporate	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/Profit before income tax	(7,953)	9,473	(613,078)	(611,558)
Finance income	(230)	(5)	(21,521)	(21,756)
Finance costs	34,070	(13,391)	198,997	219,676
Depreciation, depletion and amortization	175,905	878	89	176,872
EBITDA	201,792	(3,045)	(435,513)	(236,766)
Value of employee services under stock option schemes	2,310	–	10,812	13,122
Impairment	–	–	3,430	3,430
Gains on changes in fair value of financial instruments	–	–	(20,802)	(20,802)
Withholding tax	–	190	5,947	6,137
Provisions for receivables	40,363	–	381,642	422,005
Losses on disposal of available-for-sale financial assets	–	–	22,190	22,190
Others	(2,719)	–	(1,530)	(4,249)
Adjusted EBITDA	241,746	(2,855)	(33,824)	205,067

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary source of cash during the six months ended June 30, 2018 was cash generated from operating activities.

In 1H2018, we had net cash generated from operating activities of RMB485.7 million, net cash generated from investing activities of RMB298.7 million and net cash used in financing activities of RMB897.4 million and a translation gain for foreign currency exchange of RMB64.5 million, resulting in a net decrease in cash and cash equivalent of RMB48.6 million compared to the cash balance of RMB132.2 million as at December 31, 2017.

Borrowings

As at June 30, 2018, the Group's borrowings from the bank and third parties amounted to approximately RMB5,232.3 million, representing a decrease of approximately RMB817.2 million as compared to December 31, 2017. Among which, borrowings repayable within one year amounted to approximately RMB2,104.1 million, representing an increase of RMB 575.1 million as compared to December 31, 2017. All of the Group's borrowings are denominated in United States Dollars, Hong Kong Dollars or Canadian Dollars. The Group's 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 124.3% as at June 30, 2018, principally due to a decrease in equity.

Our total borrowings to Adjusted EBITDA ratio, which is defined as total borrowings divided by Adjusted EBITDA decreased from 17.38 as at December 31, 2017 to 8.34 as at June 30, 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, as changes in international oil and gas prices will have a significant impact on us. Unstable and highly volatile international oil and gas prices may have a significant impact on our revenue and profit. During 1H2018, the Group entered into oil and gas hedge options contracts to manage its price risk.

Currency risk

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

The functional currency of the Canada subsidiary is in Canadian dollars and all sales are in Canadian dollars. Management is not in a position to anticipate changes in the fluctuations between the Canadian dollar and RMB exchange rates, and as such is unable to reasonably anticipate the impacts on the Group's results of operations or financial position arising from future changes or fluctuations 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 June 30, 2018, certain assets, comprising principally oil assets and properties in Alberta, Canada, were pledged to banks as collateral security for banking facilities with an aggregate outstanding amount of RMB472.5 million. In addition, as at June 30, 2018, Group's interest under the PSCs in China, 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 RMB2,710.3 million.

EMPLOYEES

As at June 30, 2018, the Company had 1,460 employees, with 1,093 based in China (Mainland and Hong Kong), 3 based in USA and 364 based in Canada. There have been no material changes to the information disclosed in the Company's annual report for the year ended December 31, 2017 in respect of the remuneration of employees, remuneration policies and staff development.

DIVIDEND

The Board has resolved that no interim dividend will be paid for the six months ended June 30, 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters, including reviewing the unaudited interim results.

The Audit Committee has adopted the terms of reference which are in line with the Corporate Governance Code. The terms of reference were revised on August 24, 2016 and have been made available on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company.

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

Save as disclosed otherwise in this announcement, neither the Company nor any of its subsidiaries purchased, disposed of or redeemed any of the Company's listed securities for the six months ended June 30, 2018.

FUND RAISING FROM ISSUE OF CONVERTIBLE BONDS

On January 26, 2018, the Company completed the placing of convertible bonds, in an aggregate principle amount of HK$340,000,000 with a 5% coupon rate per annum, maturing on January 26, 2021. The funds raised by this bond issue were utilized for repayment of the 2018 Notes. For further details, please refer to the Company's announcements dated January, 23, 2018, January 26, 2018 and July 26, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period from January 1, 2018 to June 30, 2018, except for Code Provisions 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 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 engaged 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 currently propose to designate another person as the Chief Executive Officer of the Company. 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 all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended June 30, 2018. In addition, no incident of non-compliance of the Model Code by the employees was noted by the Company.

MISCELLANEOUS

The Directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended December 31, 2017, other than those disclosed in this interim results announcement.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has been, at all times, in compliance with (i) Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three independent non-executive Directors on the Board; (ii) Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive Directors to have appropriate professional qualifications or accounting or relevant financial management expertise; and (iii) Rule 3.10A of the Listing Rules, which requires the Company to appoint independent non-executive Directors representing at least one-third of the Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The electronic version of this interim results announcement is published on the websites of the Company (www.mienergy.com.cn), Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and Singapore Exchange Securities and Trading Limited (www.sgx. com).

An interim report for the six months ended June 30, 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.

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

Hong Kong, August 24, 2018

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