MIE HOLDINGS CORPORATION
MI 能 源 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1555)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019

SUMMARY OF OPERATIONAL AND FINANCIAL PERFORMANCE

Continuing operations

	Six months ended June 30,		**Change**	**% Change**
	2019	2018		
Average realized price of crude oil *(US$ per barrel)*	**57.65**	62.34	(4.69)	–7.5%
Average realized price of natural gas *(US$ per Mscf)*	**6.30**	6.52	(0.22)	–3.4%
Gross production of crude oil *(million barrels)*	**2.26**	2.03	0.23	11.3%
Net production of crude oil *(million barrels)*	**0.91**	0.86	0.05	6.3%
Net sales of crude oil *(million barrels)*	**0.91**	0.84	0.07	8.6%
Net production of natural gas *(MMscf)*	**0.68**	0.52	0.16	30.6%
Net sales of natural gas *(MMscf)*	**0.68**	0.52	0.16	30.6%
Wells drilled during the period *(Gross)*	**2**	8	(6)	–75.0%
Revenue *(RMB'000)*	**358,431**	333,273	25,158	7.5%
Loss for the period *(RMB'000)*	**(363,532)**	(196,283)	(167,249)	85.2%
Basic loss per share *(RMB per share)*	**(0.120)**	(0.068)	(0.052)	76.5%
EBITDA *(RMB'000)*	**117,055**	197,271	(80,216)	–40.7%
Adjusted EBITDA *(RMB'000)*	**195,188**	197,124	(1,936)	–1.0%

Discontinuing operation

	Six months ended June 30, 2019	2018	Change	% Change
Average realized price of crude oil *(US$ per barrel)*	**44.54**	56.40	(11.86)	–21.0%
Average realized price of natural gas *(US$ per Mscf)*	**1.15**	1.24	(0.09)	–7.3%
Average realized price of natural gas liquids (“NGL”) *(US$ per barrel)*	**15.27**	24.70	(9.43)	–38.2%
Production of crude oil *(million barrels)*	**0.56**	0.68	0.12	–17.6%
Production of natural gas *(MMscf)*	**41,007**	44,872	(3,865)	–8.6%
Production of NGL *(million barrels)*	**0.19**	0.28	(0.09)	–32.1%
Loss for the period *(RMB’000)*	**(233,692)**	(324,970)	91,278	–28.1%
Basic loss per share *(RMB per share)*	**(0.077)**	(0.112)	0.035	–31.3%

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) Re-presented
Continuing operations			
Revenue from contracts with customers		**358,431**	333,273
Depreciation, depletion and amortization		**(170,660)**	(150,166)
Taxes other than income taxes	*5*	**(3,785)**	(6,966)
Employee benefit expenses		**(57,711)**	(100,585)
Purchases, services and other direct costs		**(52,780)**	(45,436)
Distribution costs		**(7,814)**	(7,215)
General and administrative expenses		**(53,661)**	(34,871)
(Provision)/reversal of impairment losses on financial assets, net		**(22,336)**	84,733
Impairment charges		**(4,740)**	(3,194)
Other losses, net	*6*	**(38,549)**	(13,496)
Finance income		**7,149**	27,416
Finance costs		**(294,662)**	(254,068)
Share of losses of investments in associates		**–**	(8,972)
Loss before income tax		**(341,118)**	(179,547)
Income tax expense	*7*	**(22,414)**	(16,736)
Loss for the period from continuing operations		**(363,532)**	(196,283)
Discontinued operations			
Loss for the period from discontinued operations		**(233,692)**	(324,970)
Loss for the period		**(597,224)**	(521,253)
Other comprehensive income/(losses):			
Continuing operations			
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		**1,802**	(3,190)
Items that may be reclassified to profit or loss			
Transfer to profit or loss upon disposal of investments in associates		**–**	(2,602)
Currency translation differences		**(9,918)**	(49,672)
Discontinued operations			
Items that may be reclassified to profit or loss			
Currency translation differences		**41,990**	(85,055)
Other comprehensive income/(losses) for the period, net of tax		**33,874**	(140,519)
Total comprehensive losses for the period		**(563,350)**	(661,772)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Six months ended June 30, **2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited) Re-presented
Loss for the period attributable to:			
Owners of the Company		**(594,854)**	(521,233)
Non-controlling interests		**(2,370)**	(20)
		(597,224)	(521,253)
Loss for the period attributable to owners of the Company arising from:			
Continuing operations		**(361,162)**	(196,263)
Discontinued operations		**(233,692)**	(324,970)
		(594,854)	(521,233)
Total comprehensive losses for the period attributable to:			
Owners of the Company		**(560,980)**	(661,752)
Non-controlling interests		**(2,370)**	(20)
		(563,350)	(661,772)
Total comprehensive losses for the period attributable to owners of the Company arising from:			
Continuing operations		**(369,278)**	(251,727)
Discontinued operations		**(191,702)**	(410,025)
		(560,980)	(661,752)
Loss per share for loss attributable to ordinary equity holders of the Company for the period (expressed in RMB per share)			
Basic loss per share	*8*		
Continuing operations		**(0.120)**	(0.068)
Discontinued operations		**(0.077)**	(0.112)
		(0.197)	(0.180)
Diluted loss per share	*8*		
Continuing operations		**(0.120)**	(0.068)
Discontinued operations		**(0.077)**	(0.112)
		(0.197)	(0.180)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**June 30, 2019** *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**1,678,070**	1,798,839
Intangible assets		**126,495**	137,351
Right-of-use assets		**16,262**	–
Deferred income tax assets		**1,766**	601
Financial assets at fair value through other comprehensive income		**48,366**	46,458
Prepayments, deposits and other receivables		**383,637**	357,212
Restricted cash		**45,541**	45,465
		2,300,137	2,385,926
Current assets			
Inventories		**22,471**	22,390
Prepayments, deposits and other receivables		**570,812**	615,035
Financial assets at fair value through profit or loss		**–**	17,755
Trade and notes receivables	*10*	**69,195**	69,791
Cash and cash equivalents		**10,349**	28,115
		672,827	753,086
Assets of disposal group classified as held for sale	*14*	**5,023,710**	5,105,887
		5,696,537	5,858,973
Total assets		**7,996,674**	8,244,899
Equity			
Equity attributable to owners of the Company			
Share capital		**1,092,478**	1,068,796
Other reserves		**(103,311)**	(143,782)
Accumulated losses		**(3,225,150)**	(2,630,296)
		(2,235,983)	(1,705,282)
Non-controlling interests		**11,929**	13,265
Total shareholders' deficit		**(2,224,054)**	(1,692,017)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	**June 30, 2019** *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Borrowings	*11*	**2,113,928**	1,786,066
Lease liabilities		**7,488**	–
Deferred income tax liabilities		**136,726**	114,669
Trade and notes payable	*12*	**82,526**	65,871
Provisions, accruals and other liabilities	*13*	**66,938**	77,252
		2,407,606	2,043,858
Current liabilities			
Trade and notes payable	*12*	**243,470**	220,283
Provisions, accruals and other liabilities	*13*	**315,988**	272,685
Current income tax liabilities		**3,990**	2,649
Financial liabilities at fair value through profit or loss		**351,477**	313,969
Borrowings	*11*	**2,275,694**	2,549,888
Lease liabilities		**9,243**	–
		3,199,862	3,359,474
Liabilities of disposal group classified as held for sale	*14*	**4,613,260**	4,533,584
		7,813,122	7,893,058
Total liabilities		**10,220,728**	9,936,916
Total shareholders' deficit and liabilities		**7,996,674**	8,244,899

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 the 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 were listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on December 14, 2010.

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 of the Company (the "Board of Directors") on August 30, 2019.

This condensed interim consolidated financial information has been reviewed by the Audit Committee of the Company but has not been reviewed or audited by the Company's auditor.

2. BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended June 30, 2019 has been prepared in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting'. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB").

2.1 Going concern

In the recent years, the Group's performance has been significantly affected by the relatively low commodity prices of oil and gas and the high borrowing costs for general funding and re-financing purposes. During the period, the Group incurred a net loss of RMB597.2 million, which comprised of losses of RMB363.5 million from continuing operations and RMB233.7 million from discontinued operations.

As at June 30, 2019, the Group had a shareholders' deficit of RMB2,224.1 million and the Group's current liabilities and liabilities of disposal group classified as held for sale exceeded its current assets and assets of disposal group classified as held for sale by RMB2,116.6 million. Included in the current liabilities and liabilities of disposal group classified as held for sale as at June 30, 2019 were:

(i) private notes totaling US$68.0 million (the "Private Notes") (see (a) below);

(ii) public notes of HK$340.0 million ("Public Notes") (see (b) below);

(iii) a borrowing of US$60.0 million, repayable on demand ("On-Demand Borrowing") (see (c) below); and

(iv) a term loan facility of US$100.0 million (approximately RMB687.5 million) (the "Maple Energy Loan") advanced to the disposal group, Maple Energy Investments Limited ("Maple Energy", formerly "Maple Marathon Investments Limited") (see (d) below).

In addition, as at June 30, 2019, the Group had non-current borrowings of RMB2,113.9 million, the principals of which were all repayable more than twelve months from the period end in accordance with the respective borrowing agreements. The Group only had cash and cash equivalents of RMB10.3 million as at June 30, 2019 which were mostly dominated in US dollars.

As at June 30, 2019 and up to the date of approval of this interim financial information, the Group did not commit any events of default, cross-default or breach of covenants and restrictive terms and conditions stipulated in the borrowing and financing agreements entered into by the Group.

The above conditions indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

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

(a) In order to fund the exchange offer of the senior notes of US$315.9 million (the "2019 Senior Notes") announced by the Company on March 1, 2019 and completed on April 15, 2019, and repayment of the remaining 2019 Senior Notes upon maturity, the Company issued private notes (the "Private Notes") totaling US$68 million (equivalent to approximately RMB457.5 million) on April 12, 2019. The Private Notes are redeemable on April 12, 2020, but are subject to mandatory early redemption upon the repayment of all or part of the Public Notes by the Group as defined in (b) below.

(b) The convertible bonds of HK$340 million (equivalent to approximately RMB299.1 million) issued by the Company were redeemable on January 26, 2021, and secured against the shares of Maple Energy (see (d) below).

While management of the Company will continue its efforts in persuading the holder not to exercise the Put Option until the Group has the financial resources to repay the Public Notes, based on the latest communications with the holder of the Public Notes, there is no indication that the holder has any current intention to exercise the Put Option until the charges over the shares of Maple Energy are required to be released for the completion of the Maple Energy Disposal as defined under (d) below.

(c) The Company will continue its ongoing efforts in convincing the lender of the On-Demand Borrowing of US$60 million (equivalent to approximately RMB412.5 million) which is scheduled to be repaid in full on February 1, 2020, not to exercise its contractual right to request the Company for early immediate repayment of the principal amount and any accrued interest prior to the scheduled repayment date. Based on latest communications, there is no indication that the lender has any current intention to exercise its right to demand immediate repayment.

(d) The Company entered into an agreement on September 24, 2018 with Far East Energy International Limited ("Far East Energy" or the "Purchaser"), a company wholly owned by Mr. Zhang Ruilin, the Chairman and controlling shareholder of the Company, to sell its entire 100% equity interest in Maple Energy (the "Maple Energy Disposal") to mitigate the liquidity pressure of the Group. According to the disposal agreement, the completion of the Maple Energy Disposal requires, amongst other procedures, settlement of US$ 150 million to the Company by Far East Energy; and that the Maple Energy Loan of US$100 million (approximately RMB687.5 million) due on September 6, 2019 should be retained by Far East Energy for repayment. The completion date of the Maple Energy Disposal was originally January 31, 2019 and has now been extended to September 30, 2019, through a supplemental agreement dated January 30, 2019.

    Management of the Company will continue its efforts in communicating with the buyer and monitoring the completion of the Maple Energy Disposal in accordance with the agreements. To the best knowledge of the Directors, the Maple Energy Disposal is expected to be completed in the near future.

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

The Directors have reviewed the Group's cash flow projections prepared by the management, which cover a period of not less than twelve months from June 30, 2019. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

(i) successful completion of the Maple Energy Disposal in the near future to mitigate the liquidity pressure of the Group so that the remaining debt and other obligations of the Group will be fulfilled upon the respective due dates; and that the Maple Energy Loan will be retained by Far East Energy for repayment in accordance with the disposal agreement such that the Group does not need to obtain additional sources of financing to repay such loan upon the due date.

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

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

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

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

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

2.2 Re-presentation of comparative figures

The Directors regard the North America segment as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5") in this condensed interim consolidated financial information. The comparative information of this condensed interim consolidated financial information has been re-presented on a consistent basis.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of this unaudited condensed interim consolidated financial information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2018.

New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 "Leases".

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. As such, the reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

The impact of the adoption of the leasing standard and the new accounting policies that have been applied from January 1, 2019 are disclosed in the Note 15. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors which are used for resources allocation and performance evaluation.

The Board of Directors considers the business performance of the Group from a geographic perspective being the PRC and North America. The PRC segment derives its revenue substantially from the sale of oil. Such revenue is mainly realised from the sale of the Group's share of crude oil to PetroChina Company Limited ("PetroChina") pursuant to respective PSCs. The North America segment derives its revenue mainly from the sale of oil and natural gas in Canada.

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

For the six months ended June 30, 2019:

	PRC *RMB'000* (Unaudited)	North America *RMB'000* (Unaudited)	Corporate and other segments *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
From continuing operations				
Segment revenue	**358,431**	**–**	**–**	**358,431**
Depreciation, depletion and amortization	**(168,403)**	**–**	**(2,257)**	**(170,660)**
Taxes other than income taxes *(Note 5)*	**(1,911)**	**–**	**(1,874)**	**(3,785)**
Employee benefit expense	**(31,061)**	**–**	**(26,650)**	**(57,711)**
Purchases, services and other direct costs	**(52,780)**	**–**	**–**	**(52,780)**
Distribution costs	**(7,814)**	**–**	**–**	**(7,814)**
General and administrative expenses	**(7,094)**	**–**	**(46,567)**	**(53,661)**
Provision of impairment losses on financial assets, net	**–**	**–**	**(22,336)**	**(22,336)**
Impairment charges	**–**	**–**	**(4,740)**	**(4,740)**
Other gains/(losses), net	**2,386**	**–**	**(40,935)**	**(38,549)**
Finance income	**12**	**–**	**7,137**	**7,149**
Finance costs	**(55,064)**	**–**	**(239,598)**	**(294,662)**
Profit/(loss) before income tax	**36,702**	**–**	**(377,820)**	**(341,118)**
Income tax expense	**(22,234)**	**–**	**(180)**	**(22,414)**
Profit/(loss) for the period from continuing operations	**14,468**	**–**	**(378,000)**	**(363,532)**
From discontinued operations				
Loss for the period from discontinued operations	**–**	**(233,692)**	**–**	**(233,692)**
Profit/(loss) for the period	**14,468**	**(233,692)**	**(378,000)**	**(597,224)**

As at June 30, 2019:

	PRC *RMB'000* (Unaudited)	North America *RMB'000* (Unaudited)	Corporate and other segments *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Total assets	**1,995,174**	**5,023,710**	**977,790**	**7,996,674**
Total liabilities	**1,546,559**	**4,613,260**	**4,060,909**	**10,220,728**

For the six months ended June 30, 2018:

	PRC *RMB'000* (Unaudited)	North America *RMB'000* (Unaudited) Re-presented	Corporate and other segments *RMB'000* (Unaudited) Re-presented	Total *RMB'000* (Unaudited)
From continuing operations				
Segment revenue	333,273	–	–	333,273
Depreciation, depletion and amortization	(150,061)	–	(105)	(150,166)
Taxes other than income taxes *(Note 5)*	(2,399)	–	(4,567)	(6,966)
Employee benefit expense	(26,609)	–	(73,976)	(100,585)
Purchases, services and other direct costs	(45,436)	–	–	(45,436)
Distribution costs	(7,215)	–	–	(7,215)
General and administrative expenses	(8,233)	–	(26,638)	(34,871)
Reversal of impairment losses on financial assets, net	12,755	–	71,978	84,733
Impairment charges	–	–	(3,194)	(3,194)
Other gains/(losses), net	2,602	–	(16,098)	(13,496)
Finance income	68	–	27,348	27,416
Finance costs	(45,310)	–	(208,758)	(254,068)
Share of losses of investments in associates	–	–	(8,972)	(8,972)
Profit/(loss) before income tax	63,435	–	(242,982)	(179,547)
Income tax (expense)/credit	(19,201)	–	2,465	(16,736)
Profit/(loss) for the period from continuing operations	44,234	–	(240,517)	(196,283)
From discontinued operations				
Loss for the period from discontinued operations	–	(324,970)	–	(324,970)
Profit/(loss) for the period	44,234	(324,970)	(240,517)	(521,253)

As at December 31, 2018:

	PRC *RMB'000* (Audited)	North America *RMB'000* (Audited)	Corporate and other segments *RMB'000* (Audited)	Total *RMB'000* (Audited)
Total assets	2,129,227	5,105,887	1,009,785	8,244,899
Total liabilities	1,459,940	4,533,584	3,943,392	9,936,916

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

	For the six months ended June 30	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		Re-presented
Timing of revenue recognition		
At a point in time		
— Sales of oil and gas	**355,058**	333,273
— Provision of services and others	**3,373**	–
	358,431	333,273

For the six months ended June 30, 2019, total revenue from crude oil and gas sales in the PRC amounting to RMB355.1 million (Six months ended June 30, 2018: RMB333.3 million) are derived solely from PetroChina. Crude oil sales revenues from PetroChina accounted for 99.1% of the Group's total revenue from continuing operations for the period (Six months ended June 30, 2018: 100%).

5. TAXES OTHER THAN INCOME TAXES

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		Re-presented
PRC		
Petroleum special profit charge	**–**	602
Urban construction tax and education surcharge	**1,869**	1,754
Others	**42**	43
	1,911	2,399
Corporate and other segments		
Withholding tax and others	**1,874**	4,567
	3,785	6,966

Note:

Withholding tax is charged on interest expense arising from the intra-group loans.

6. OTHER LOSSES, NET

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		Re-presented
(Losses)/gains on changes in fair value of financial instruments	**(18,220)**	11,605
Losses on disposal of assets, net	**–**	(17,512)
Losses on disposal of financial instruments	**(24,364)**	–
Others	**4,035**	(7,589)
	(38,549)	(13,496)

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		Re-presented
Current income tax	**1,527**	(2,442)
Deferred income tax	**20,887**	19,178
	22,414	16,736

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 period ended June 30, 2019 varies from 25% to 27%.

8. 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,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		Re-presented
Loss for the period attribute to owners of the Company arising from:		
— Continuing operations	**(361,162)**	(196,263)
— Discontinued operations	**(233,692)**	(324,970)
Weighted average number of ordinary shares (thousands)	**3,016,505**	2,900,018
Basic loss per share		
— Continuing operations	**(0.120)**	(0.068)
— Discontinued operations	**(0.077)**	(0.112)
	(0.197)	(0.180)

(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,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		Re-presented
Loss attributable to owners of the Company used to determine diluted earnings per share		
— Continuing operations	**(361,162)**	(196,263)
— Discontinued operations	**(233,692)**	(324,970)
Weighted average number of ordinary shares (thousands)	**3,016,505**	2,900,018
Weighted average number of diluted potential ordinary shares for diluted earnings per share (thousands)	**3,016,505**	2,900,018
Diluted loss per share		
— Continuing operations	**(0.120)**	(0.068)
— Discontinued operations	**(0.077)**	(0.112)
	(0.197)	(0.180)

9. DIVIDENDS

The Board of Directors does not recommend payment of interim dividend for the six months ended June 30, 2019 (Six months ended June 30, 2018: nil).

10. TRADE AND NOTES RECEIVABLES

The aging analysis of trade and notes receivables is as follows:

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 30 days	**66,438**	66,862
31–180 days	**815**	1,000
Over 180 days	**1,942**	1,929
	69,195	69,791

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

Notes receivable are bank acceptance with maturity dates within six months.

The fair value of trade and notes receivables approximates their carrying amount.

11. BORROWINGS

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current		
— Senior notes *(Note(a))*	**1,693,713**	–
— Other loans *(Note(c))*	**420,215**	1,786,066
	2,113,928	1,786,066
Current		
— Senior notes *(Note(a))*	**–**	2,160,423
— On-Demand Borrowing *(Note(b))*	**393,600**	378,279
— Other loans *(Note(c))*	**1,882,094**	11,186
	2,275,694	2,549,888
	4,389,622	4,335,954

Note(a) Senior notes

	Coupon rate	Due date	As at June 30, 2019 *RMB'000* (Unaudited)	As at December 31, 2018 *RMB'000* (Audited)
2022 Senior Notes	13.750%	April 12, 2022	**1,693,713**	–
2019 Senior Notes	7.5%	April 25, 2019	**–**	2,160,423
			1,693,713	2,160,423

All senior notes are listed on the Singapore Exchange Securities Trading Limited.

On March 1, 2019, the Company announced the exchange offer to the holders of the 2019 Senior Notes to exchange the existing notes, together with the interest payable on maturity of US$11.2 million, for a new package of senior notes and cash payment with a later maturity date. The exchange offer expired on April 10, 2019 and note holders representing approximately 84% of the total principal amount outstanding at December 31, 2018 accepted the exchange offer. In accordance with the related terms and conditions, the Company issued new senior notes in the principal amount of US$248.4 million bearing annual interest at 13.750% due on April 12, 2022 (the "2022 Senior Notes"), made a cash payment of approximately US$26.1 million (equivalent to approximately RMB175.6 million) to these holders on April 15, 2019, and the corresponding 2019 Senior Notes were cancelled accordingly. The Company settled the remaining 2019 Senior Notes with principal plus accrued interest totalling US$52.6 million (equivalent to approximately RMB354.0 million) upon maturity on April 25, 2019.

Note(b) On-Demand Borrowing

The Group entered into an agreement with a third party to borrow a principal amount of US$60 million, which bears an interest of 8% per annum and is repayable on February 1, 2020. Pursuant to the agreement, the lender has the right to demand the Group for immediate repayment of the principal amount and any accrued interest.

As of June 30, 2019, the On-Demand Borrowing was secured as set below:

- Personal guarantees provided by Mr. Zhang Ruilin, Ms. Zhao Jiangbo and Mr. Zhao Jiangwei
- Share charge over certain issued share capital of certain subsidiaries of the Group used for investment holding purpose
- Account charge over certain bank accounts of the Group to ensure the payment of interest and principal when due
- Other assets security and share charge

Note(c) Other loans

To fund the exchange offer and repayment of the remaining 2019 Senior Notes upon maturity as mentioned in Note(a) above, the Company issued Private Notes totalling US$68 million (equivalent to approximately RMB457.5 million) on April 12, 2019. The Private Notes are redeemable on April 12, 2020, but are subject to mandatory early redemption upon the repayment of all or part of the Public Notes by the Group.

As of June 30, 2019, the other loans were secured as set below:

- Share charge over the entire issued share capital of Gobi Energy Limited ("Gobi") held by the Group
- Pledge over the Group's interest under the Daan PSC held by Gobi
- Pledge over the Group's account receivable amounting to RMB66.4 million under the Daan PSC held by Gobi
- Share charge over certain issued share capital in associates held by the Group
- Account charge over certain accounts of the Group to ensure the payment of interest and principal when due
- Share charge over certain issued share capital of certain subsidiaries of the Group used for investment holding purpose
- Share charge over the entire issued share capital of Maple Energy held by the Group

Movements in borrowings are analysed as follows:

	Senior Notes *RMB'000*	**Third party institution** *RMB'000*	**Total** *RMB'000*
Carrying amounts as at January 1, 2019	**2,160,423**	**2,175,531**	**4,335,954**
Drawdown of new borrowing	**–**	**525,332**	**525,332**
Repayments of borrowing	**(516,424)**	**(44,074)**	**(560,498)**
Amortization of discounts	**8,509**	**54,610**	**63,119**
Exchange differences	**41,205**	**(15,490)**	**25,715**
Carrying amounts as at June 30, 2019 (Unaudited)	**1,693,713**	**2,695,909**	**4,389,622**

12. TRADE AND NOTES PAYABLE

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

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 6 months	**114,325**	194,904
6 months–1 year	**133,752**	37,089
1–2 years	**52,125**	37,479
2–3 years	**9,458**	4,141
Over 3 years	**16,336**	12,541
	325,996	286,154

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

13. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

	As at	
	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Asset retirement obligations *(Note)*	**12,705**	12,414
Interest payable	**100,131**	64,148
Salary and welfare payable	**43,625**	28,553
Withholding and other tax payable	**53,638**	67,633
Other payables	**172,773**	177,167
Advance from customers	**54**	22
	382,926	349,937
Less:		
Non-current portion of		
— Asset retirement obligations	**(12,705)**	(12,414)
— Withholding tax payable	**(54,233)**	(64,838)
	(66,938)	(77,252)
Current	**315,988**	272,685

Note:

Movements of asset retirement obligations are as follows:

	RMB'000 (Unaudited)
At January 1, 2019	12,414
Additional provision	159
Amortization of discounts	132
At June 30, 2019	12,705

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

The assets and liabilities related to the Maple Energy Disposal have been classified as held for sale following the approval of the financial statements as at December 31, 2018 by the Board of Directors. As at June 30, 2019, the Board of Directors considered that the criteria of held for sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5") are still met and therefore the assets and liabilities related to the Maple Energy Disposal would continue to be classified as held for sale.

In accordance with the requirements of IFRS 5, as at June 30, 2019, where the disposal group continues to be classified as held for sale, the assets and liabilities related to the Maple Energy Disposal as disposal group should be remeasured at the lower of its carrying amount and the fair value less cost to sell at the reporting date following initial classification as held for sale. As at June 30, 2019, the fair value less costs to sell is higher than the carrying amount of the assets and liabilities of the disposal group.

As Disposal Group represents the majority of the Group's North American operation, the Disposal Group is classified as discontinued operations in accordance with IFRS 5 following initial classification as held for sale. As required under IFRS 5, the comparative information relating to the discontinued operation has been re-presented on a consistent basis accordingly.

(a) Disposal groups classified as held for sale

Assets of Disposal Group

	As at June 30, 2019 *RMB'000* **(Unaudited)**
Property, plant and equipment	**4,060,507**
Intangible assets	**640,364**
Derivative financial instrument *(Note (a)(i))*	**36,379**
Right-of-use assets	**26,887**
Trade receivables	**186,285**
Prepayments, deposits and other receivables	**71,076**
Cash and cash equivalents	**2,212**
	5,023,710

Liabilities of Disposal Group

	As at June 30, 2019 *RMB'000* **(Unaudited)**
Trade and notes payables	**256,284**
Provisions, accruals and other liabilities	**1,763,196**
Borrowings *(Note (a)(iii))*	**1,111,545**
Deferred income tax liabilities *(Note (a)(ii))*	**396,791**
Financial liabilities at fair value through profit or loss *(Note (a)(iv))*	**1,047,193**
Derivative financial instruments	**10,321**
Lease liabilities	**27,296**
Current income tax liabilities	**634**
	4,613,260
Total net assets of the disposal group	**410,450**

Note

(i) Derivative financial instrument

The operational results and financial condition of Canlin are largely dependent on the commodity prices received for its gas, oil and NGL production. Commodity prices are volatile due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors. During the period ended June 30, 2019, in order to mitigate commodity price risk, Canlin has entered into a number of financial derivative contracts, including WTI Oil Contracts and AECO Gas Contracts, which are accounted for at fair value through profit or loss and not held for trading or speculative purposes.

The fair value of commodity swaps contracts are within level 2 of the fair value hierarchy.

(ii) Deferred income tax liabilities

The movement on the deferred income tax account of the Disposal Group has been charged to "Income tax credit/(expense)".

(iii) Borrowings

(1) Secured Revolving Facility

On September 29, 2017, Canlin entered into a senior secured revolving facility (the "Secured Revolving Facility") agreement with a syndicate of banks in an aggregate amount of C$210.0 million to finance the acquisition. The credit facility consists of a C$185.0 million revolving syndicated facility and a C$25.0 million revolving operating facility.

On June 30, 2019, the amended syndicated credit facility consists of a C$110.0 million (2018: C$120.0 million) revolving syndicated facility and a C$15.0 million (2018: C$25.0 million) revolving operating facility.

The revolving period of the Secured Revolving Facility can be extended by an additional one year at the request of Canlin subject to the approval of the majority of the syndicate lenders. If the Secured Revolving Facility is not extended, the aggregate principal amount will convert into a one year non-revolving term loan and any remaining undrawn portion will be cancelled.

The Secured Revolving Facility provides advances by way of Canadian prime rate loans, US base rate loans, LIBOR based loans and bankers' acceptances. Canlin drew loans bearing interest from 2.0% to 4.25% being a combination of bankers' acceptance rates and the Canadian dollar offered rate plus applicable margins determined by Canlin's certain financial ratios during applicable drawn down periods.

The Secured Revolving Facility is secured by a demand debenture of C$375.0 million providing for a first ranking security interest and floating charge over all the assets and properties of Canlin.

The Secured Revolving Facility contains standard commercial covenants for credit facilities of this nature and does not have any financial covenants. Breach of any covenant will result in default which, if not remedied within specified time, all principal and interest obligations on the Secured Revolving Facility will become due and payable immediately.

The total interest and fees on the Secured Revolving Facility of C$2.5 million (equivalent to RMB12.7 million) was charged to the consolidated income statement for the period ended June 30, 2019.

(2) Maple Energy Loan

On September 1, 2017, Maple Energy entered into a loan agreement (the "Loan Agreement") with a third party lender for a facility of US$100.0 million, with maturity on September 6, 2019, which may be extended for another 2 years subject to the consent from the lender. As at June 30, 2019, the carrying amount of the Maple Energy Loan was 671.3 million.

As described in Note 2.1, the Maple Energy Loan borrowed by the Maple Energy forms part of settlement arrangement of the consideration for the Maple Energy Disposal. As a result, Maple Energy Loan is included in the liabilities of the Disposal Group classified as held for sale and repayment of which is assumed by the Purchaser.

As of June 30, 2019, the Maple Energy Loan was secured as below:

- share charge over all issued share capital of certain subsidiary of Maple Energy;
- Personal guarantees provided by Mr. Zhang Ruilin, Ms. Zhao Jiangbo and Mr. Zhao Jiangwei for Maple Energy Loan;
- Account charge over certain bank accounts of Maple Energy to ensure the payment of interest and principal when due.

(iv) Financial liabilities at fair value through profit or loss

On May 31, 2017, Canlin issued an aggregate 204.0 million convertible preferred shares (the "CPS") at an issuance price of C$1.00 per share for aggregate proceeds of C$204.0 million (equivalent to approximately RMB1,089.7 million) to the two independent subscribers.

Each issued CPS may at any time convert into 0.83 common shares within the four years from the issuance date at the option of the CPS holder and the Group may redeem at any time the whole or from time to time any part of the then outstanding CPS on payment at a redemption price as stipulated in the subscription agreement.

The CPS is recognised and measured as financial liabilities measured at fair value through profit or loss and the changes in fair value should be reflected in the consolidated statement of comprehensive income.

As of the issuance date, the fair value of the CPS is C$224.0 million (equivalent to approximately RMB1,196.3 million). The difference between the issuance price and the fair value calculated by valuation techniques as at the issuance date of C$20.0 million (equivalent to approximately RMB106.6 million) would be amortised on a straight-line basis over the 4-year life of the CPS as estimated by the management. During the period, the amortisation expense of C$2.5 million (equivalent to approximately RMB12.7 million) is charged to discontinued losses.

As at June 30, 2019, the fair value of the CPS is C$210.7 million (equivalent to approximately RMB1,106.1 million). There is no change in fair value of CPS during the period.

The fair value of the CPS as of June 30, 2019, are estimated by the Group using the Partial Differential Equation method, which is the most appropriate method given the features of the CPS.

In determining the fair value of the CPS, significant estimates and judgements are involved in the process, including, volatility, risk-free rate and credit spread, dividend yield for common share.

Valuation process

The Group perform the valuations as of June 30, 2019, for financial reporting purposes, including level 3 fair values.

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

- Probability of each scenario: conversion, liquidation and redemption, estimated by management as of December 31, 2018

- Risk-free rate with reference to the yield of Bank of Canada government bonds for a term commensurate to the hold period of the CPS

- Dividend yield for common share is assumed zero as Canlin is not expected to pay dividends for common share in the foreseeable future as of June 30, 2019

- Volatility is with reference with the historical data of comparable companies as of December 31, 2018 and June 30, 2019

- Credit Spread with reference to the implied credit spread as at the issuance date to June 30,2019

Changes in level 3 fair values are analysed at the period by the CFO and presents a report that explains the reason for the fair value movements.

	Fair value at		**Significant**	**Range of inputs**		
Description	**June 30, 2019** ***RMB'000***	December 31, 2018 *RMB'000*	**un-observable inputs ***	**June 30, 2019**	December 31, 2018	**Relationship of significant un-observable inputs to fair value**
CPS	1,106,111	1,061,669	Probability of each scenario: conversion, liquidation and redemption		Conversion: 90% Liquidation: 5% Redemption: 5%	December 31, 2018: Increased conversion probability (5%), decreased liquidation and redemption (2.5%) would decrease the fair value by RMB9.7 million. Increased risk-free rate (1%) would decrease the fair value by equivalent to RMB12.1 million. Increased volatility (10%) would increase the fair value by RMB10.6 million. June 30, 2019: Increased credit spread(1%) would decrease the fair value by to RMB12.6 million. Increased risk-free rate (1%) would decrease the fair value by to RMB12.6 million. Increased volatility (10%) would increase the fair value by RMB11.0 million.
			Credit Spread	9.60%		
			Risk-free rate	1.86%	1.86%	
			Dividend yield (common share)	–	–	
			Volatility	51.61%	51.61%	

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

(b) Discontinued operations

	Six months ended June 30	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Discontinued operations		
Revenue	**681,794**	872,595
Other losses, net	**(107,826)**	(107,220)
Expenses	**(931,013)**	(1,165,052)
Loss before income tax	**(357,045)**	(399,677)
Income tax expense	**123,353**	74,707
Losses from discontinued operations	**(233,692)**	(324,970)
Exchange differences on translation of discontinued operations	**41,990**	(85,055)
Other comprehensive losses from discontinued operations	**(191,702)**	(410,025)

The cash flow information for the periods ended June 30, 2019 and 2018 are presented below:

	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	**84,085**	138,356
Net cash (outflow)/inflow from investing activities	**(64,539)**	289,731
Net cash outflow from financing activities	**(19,537)**	(431,214)
Net increase/(decrease) in cash and cash equivalents	**9**	(3,127)

15. CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 "Leases" on the Group's financial statements and discloses the new accounting policies that have been applied from January 1, 2019.

As explained in Note 3, the Group has adopted IFRS 16 on January 1, 2019, which results in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision under IFRS 16, the Group has applied the simplified transition approach, and all right-of-use assets were measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses). Comparative figures for the 2018 financial year have not been restated. The reclassifications and the cumulative effect of adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on January 1, 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 14.02%.

	2019
	RMB'000
	(Unaudited)
Operating lease commitments disclosed as at December 31, 2018	**18,310**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**10,204**
(Less):	
Short-term leases recognised on a straight-line basis as expense	**(3,148)**
Lease liability recognised as at January 1, 2019	**7,056**
Of which are:	
Current lease liabilities	**4,810**
Non-current lease liabilities	**2,246**
	7,056

The recognised right-of-use assets relate to the following types of assets:

	June 30, 2019	January 1, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Properties	**16,262**	7,528
Total right-of-use assets	**16,262**	7,528

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(b) The Group's leasing activities and how these are accounted for

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

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

BUSINESS REVIEW AND PROSPECTS

In the first half of 2019 ("1H2019"), the US-China trade war and the tension between the United States and Iran had brought huge uncertainties to the international crude oil market, resulting in large fluctuations in international oil prices. At the same time, the natural gas price in Canada continued to decline and reached its lowest level in recent years. The Group's oil and gas production decreased by 6.0% to about 9.84 million barrels oil equivalent ("BOE", where 1 BOE = 6,000 standard cubic feet natural gas) compared with the amount of 1H2018. Net oil and gas production decreased by 8.6% to about 8.49 million BOE ("MMBOE"), compared with the amount of 1H2018. During the 1H2019, net sales of crude oil decreased by 2.6% to approximately 1.47 million barrels from the 1H2018, while natural gas sales decreased by 8.6% to 41,008 million standard cubic feet ("MMscf").

In 1H2019, the average realized crude oil price decreased by 11.7% to US$52.68 per barrel as compared with that of 1H2018, and the average realized natural gas price dropped to US$1.15 per thousand standard cubic feet ("Mscf"). In 1H2019, the revenue from China increased by 7.5% to RMB358.4 million as compared with 1H2018. In 1H2019, loss for the period from the segments other than North America increased by 85.2% to RMB363.5 million as compared with RMB196.3 million in 1H2018 and the respective loss per share was RMB0.120 in 1H2019. Loss for the period from North America segment decreased by 28.1% to RMB233.7 million as compared with 1H2018 and the respective loss per share was RMB0.077 in 1H2019.

In 1H2019, the EBITDA of the Group from segments other than North America segment decreased by RMB80.2 million to RMB117.1 million from RMB197.3 million in 1H2018 and the respective adjusted EBITDA decreased by RMB1.9 million to RMB195.2 million.

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, 2019:

(RMB millions)	**Exploration expenditures**	**Development expenditures**	**Production/ operating expenditures**
China Onshore Projects (Daan, Moliqing)	–	25	65
Canada (Canlin Energy)	–	70	413
Total	–	95	478

The Group incurred development expenses of RMB95 million during the six months ended June 30, 2019, of which RMB25 million was incurred in China and RMB70 million was incurred in Canada; whereas production expenses amounted to RMB478 million, of which RMB65 million was incurred in China, RMB413 million was incurred in Canada.

China Operations (Daan, Moliqing, South China Sea)

Our projects in northeastern China maintained a relatively high level of production in 1H2019. As at June 30, 2019, the Group held a participating interest of 100% and 10% in the Daan production sharing contract ("PSC") and the Moliqing PSC respectively. During 1H2019, the total gross operated production for Daan and Moliqing increased by 11.3% from 2.03 million barrels in 1H2018 to 2.26 million barrels in 1H2019. Total net production allocated to the Group increased by 5.8% from 0.86 million barrels in 1H2018 to 0.91 million barrels in 1H2019. During 1H2019, the gross operated production increased by 3.9% to 12,505 barrels per day ("BOPD") as compared to 1H2018, and net production allocated to the Group decreased by 0.1% to 5,049 BOPD. With the drop of international crude oil prices, the average oil price of Daan and Moliqing decreased by 7.5% from US$62.34 per barrel in 1H2018 to US$57.65 per barrel in 1H2019. Two vertical wells were drilled in Daan in 1H2019. The total length of wells was 4,618 meters and the average length per well was about 2,309 meters. Lifting costs for Daan decreased by US$0.68/barrel, or 6.4%, from US$10.69/barrel for 1H2018 to US$10.01/barrel for 1H2019.

By the end of 1H2019, the Group held a 34% interest in the South China Sea Project. The oilfield development feasibility study report, the overall development plan and environmental impact assessment have been completed. The bid evaluation of engineering procurement construction for offshore engineering construction and some large-scale equipment were completed in 1H2019 and the construction was being actively promoted. The successful development of the block would help the Group in gaining experiences in offshore petroleum operation.

North America Operations (Canlin Energy)

As at June 30, 2019, the Group held 100% of the total issued common shares of Canlin Energy. In 1H2019, Canadian natural gas prices continued to be extremely weak and volatile. The Canadian natural gas industry entered an unprecedented cold winter, having a significant financial impact on Canadian natural gas producers. Canlin Energy implemented economic production cuts, slowed capital expenditures, shut down some uneconomic natural gas production facilities and reduced uneconomic gas production to cope with the depressed gas prices. Canlin Energy continued to optimize the corporate structure to reduce operating costs and management costs, and used financial instruments to hedge the impact of natural gas price fluctuations on company performance.

In 1H2019, the net oil and gas production of Canlin Energy decreased by 10.1% to 7.58 MMBOE as compared with 1H2018, accounting for 89.3% of the Group's total net production for the period. The daily oil and gas production decreased by 10.1% to 41,868 BOPD, of which natural gas and NGL accounted for about 92.7%, and crude oil accounted for about 7.3%. The daily production of crude oil decrease by 17.2% to 3,067 barrels, the daily production of NGL decreased by 32.7% to 1,041 barrels, and the daily production of natural gas decreased by 8.6% to 227 MMscf. During 1H2019, the average realized natural gas prices of Canlin Energy decreased by 7.3% to US$1.15/Mscf and average realized oil prices decreased by 21.0% to US$44.54/bbl compared with 1H2018.

The Group entered into a disposal agreement in relation to a very substantial disposal of the oil and gas assets in Canada by selling all of the shares in Maple Energy. The completion date of the disposal was originally January 31, 2019 and subsequently extended to September 30, 2019.

Kazakhstan Operations (Emir-Oil)

In Kazakhstan, the Group holds a 40% interest in Emir-Oil, which holds four production contracts and one exploration contract covering the Aksaz, Dolinnoe, Emir, Kariman producing oilfields and ADEK block. With the recovery in oil prices, as at the end of 1H2019, Emir-Oil had a total of 27 production wells. The daily production of crude oil attributable to the Group decreased by 9.5% from 1,135 BOPD in 1H2018 to 1,027 BOPD in 1H2019.

OUTLOOK FOR 2019

The trade disputes between the United States and other countries are unlikely to be fully resolved in the short term, and the global oil and gas markets are still concerned about the possible impact of geopolitical tensions, especially in Iran and Venezuela. The global economy will be impacted as expected by the International Monetary Fund, and if trade disputes escalate, there should be a possibility of further decline in global crude oil demand in the second half of 2019 ("2H2019"). In the natural gas market, Canadian natural gas prices continued to slump in 1H2019 and remained at a low level in recent years. The slowdown in demand growth and the continued expansion of LNG supply have led to a sharp drop in natural gas prices. In 2H2019, despite the higher natural gas demand and prices due to cold weather, natural gas prices are expected to be under strong pressure by the end of 2019 in the absence of extreme weather.

Operating in such a challenging market environment, the Group will continue its efforts to complete the very substantial disposal of Canadian oil and gas assets in 2H2019 to reduce debt and improve liquidity. The Group will continue to boost crude production by investing in oil assets, re-completing suitable old wellbores, and drilling new wells. The Group strives to increase the oil production, reduce costs and maintain an orderly and stablely operation. We believe that the decrease in level of debt, the increase of production and the reasonable cost control will bring benefits to the Group and improve the market competitiveness and the enterprise value of the Group.

REVIEW OF FINANCIAL RESULTS

The assets and liabilities relating to Maple Energy have been presented as held for sale as at June 30, 2019 following the approval of the Group's management team. The completion date for the transaction is expected to be within September 2019. The financial results from Maple Energy were recorded as a loss from discontinued operations.

Continuing operations

Revenue

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

The Group's revenue generated from sales of oil and gas was entirely contributed by our China oil fields, which increased by RMB21.8 million, or 6.5%, from RMB333.3 million for the six months ended June 30, 2018 to RMB355.1 million for the six months ended June 30, 2019. This increase was mainly due to the increase of crude oil sales volume, from 0.84 million barrels for the six months ended June 30, 2018 to 0.91 million barrels for the six months ended June 30, 2019. The increase was mainly due to the Group's acquisition of 10% participating interest in the foreign contractors' entitlement and obligation under the PSC on March 29, 2018 for each of the Daan oilfield and the Moliqing oilfield ("the Acquisition of Daan and Moliqing Interests"), which contributed revenue of RMB44.4 million during the six months ended June 30, 2019, compared to RMB20.1 million for the six months ended June 30, 2018.

The Group's average realized oil price was US$57.65 per barrel for the six months ended June 30, 2019, compared to US$62.34 per barrel for the six months ended June 30, 2018.

The Group's revenue from sales of commodities is RMB3.3 million for the six months ended June 30, 2019.

Operating expenses

Depreciation, depletion and amortization. The Group's depreciation, depletion and amortization increased by RMB20.5 million, or 13.6%, from RMB150.2 million for the six months ended June 30, 2018 to RMB170.7 million for the six months ended June 30, 2019. The increase in depreciation, depletion and amortization was mainly due to the following: (i) the Acquisition of Daan and Moliqing Interests, which incurred depreciation, depletion and amortization of RMB30.4 million during the six months ended June 30, 2019, compared to RMB12.1 million for the six months ended June 30, 2018; (ii) on December 29, 2018, the Group acquired 51% interest of China Aerospace Telecommunications (Shenzhen) Limited ("China Aerospace") ("the Acquisition of China Aerospace"), which incurred depreciation, depletion and amortization of RMB3.1 million during the six months ended June 30, 2019.

Taxes other than income taxes. The Group's taxes other than income taxes decreased by RMB3.2 million, or 45.7%, from RMB7.0 million for the six months ended June 30, 2018 to RMB3.8 million for the six months ended June 30, 2019. The following table summarizes the Group's taxes other than income taxes for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		Re-presented
PRC		
Petroleum special profit charge	**–**	602
Urban construction tax and education surcharge	**1,869**	1,754
Others	**42**	43
	1,911	2,399
Corporate and other segments		
Withholding tax and others	**1,874**	4,567
	3,785	6,966

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 Group's oil price did not exceed the threshold during 1H2019.

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 decreased by RMB42.9 million, or 42.6%, from RMB100.6 million for the six months ended June 30, 2018 to RMB57.7 million for the six months ended June 30, 2019. The decrease in employee compensation costs was primarily due to: (i) the new share awards granted to employees, which amounted to RMB48.4 million for the six months ended June 30, 2018; (ii) reduction of headcount during 1H2019.

Purchases, services and other expenses. The Group's purchases, services and other expenses increased by RMB7.4 million, from RMB45.4 million for the six months ended June 30, 2018 to RMB52.8 million for the six months ended June 30, 2019. The increase was mainly due to: (i) the Acquisition of Daan and Moliqing interest, which incurred purchases, services and other expenses of RMB6.3 million during the six months ended June 30, 2019, compared to RMB3.5 million for the six months ended June 30, 2018; (ii) the Acquisition of China Aerospace, which incurred purchases, services and other expenses of RMB2.7 million during the six months ended June 30, 2019.

Distribution and administrative expenses. The Group's distribution and administrative expenses increased by RMB19.4 million, or 46.1%, from RMB42.1 million for the six months ended June 30, 2018 to RMB61.5 million for the six months ended June 30, 2019. The increase in distribution and administrative expenses was primarily due to the increase of amortization relating to financing.

Impairment. For the six months ended June 30, 2019, the Group has recognized an impairment charge amounting to RMB4.7 million on investment in PetroBroad Copower Limited ("PetroBroad"), compared to total impairment of RMB3.2 million on investment in PetroBroad for the six months ended June 30, 2018.

Other losses, net. The Group had net other losses of RMB38.5 million for the six months ended June 30, 2019, compared to net other losses of RMB13.5 million for the six months ended June 30, 2018. The increase was mainly due to losses on changes in fair value of financial instruments of RMB18.2 million and losses on disposal of financial instruments of RMB24.4 million.

Finance costs, net

The Group's net finance costs increased by RMB60.8 million, or 26.8%, from RMB226.7 million for the six months ended June 30, 2018 to RMB287.5 million for the six months ended June 30, 2019. The increase in finance costs was mainly due to the higher interest rate of the new bond for the Group and the increase of new loan.

Share of loss of associate

As at June 30, 2019, the Group held a 34% interest in PetroBroad and 40% interest in Palaeontol B.V., respectively. There was no share of investment loss recorded during the six months ended June 30, 2019.

Loss before income tax

The Group's loss before income tax was RMB341.1 million for the six months ended June 30, 2019, compared to the loss before income tax of RMB179.5 million for the six months ended June 30, 2018, representing an increase of RMB161.6 million, or 90.0%. The increase was primarily due to the cumulative effects of the above factors.

Income tax expense

The Group recorded income tax expense of RMB22.4 million for the six months ended June 30, 2019, compared to income tax expense of RMB16.7 million for the six months ended June 30, 2018, representing an increase of RMB5.7 million, or 34.1%. The effective tax rate for the six months ended June 30, 2019 was negative 7%, compared to the effective tax rate for the six months period ended June 30, 2018 of negative 9%.

Loss for the period from continuing operations

As a result of the foregoing, our net loss from continuing operations for the six months ended June 30, 2019 was RMB363.5 million, compared to a net loss from continuing operations of RMB196.3 million for the six months ended June 30, 2018.

Loss for the period from discontinued operations

Our net loss from discontinued operations for the six months ended June 30, 2019 was RMB233.7 million, compared to a net loss from discontinuing operations of RMB325.0 million for the six months ended June 30, 2018.

Loss for the period

The Group's loss for the six months ended June 30, 2019 was RMB597.2 million, compared to the loss of RMB521.3 million for the six months ended June 30, 2018, increased by RMB75.9 million, or 14.6%. This increase 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 six months ended June 30, 2019, 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 share-based payments plan, provision/(reversal) of impairment losses on financial assets, net, impairment charges, losses/(gains) on changes in fair value of financial instruments, withholding tax arising from intercompany loan, losses on disposal of financial instruments, losses on disposal of assets, net and any other non-cash or non-recurring income/expenses.

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 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,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		Re-presented
Loss before income tax from continuing operations	**(341,118)**	(179,547)
Finance income	**(7,149)**	(27,416)
Finance costs	**294,662**	254,068
Depreciation, depletion and amortization	**170,660**	150,166
EBITDA from continuing operations	**117,055**	197,271
Value of employee services under share-based payments plan	**6,597**	53,777
Provision/(reversal) of impairment losses on financial assets, net	**22,336**	(84,733)
Impairment Charges	**4,740**	3,194
Losses/(gains) on changes in fair value of financial instruments	**18,220**	(11,605)
Withholding tax	**1,876**	4,441
Losses on disposal of financial instruments	**24,364**	3,198
Losses on disposal of assets, net	**–**	17,512
Others	**–**	14,069
Adjusted EBITDA from continuing operations	**195,188**	197,124

The Group's EBITDA decreased by approximately RMB80.2 million, from approximately RMB197.3 million for the six months ended June 30, 2018 to approximately RMB117.1 million for the six months ended June 30, 2019. The decrease was mainly due to: the Group's provision of impairment losses on financial assets, net for the six months ended June 30, 2019 was RMB22.3 million, compared to reversal of impairment losses on financial assets of RMB84.7 million for the six months ended June 30, 2018, representing an increase of RMB107.1 million.

The Group's adjusted EBITDA decreased by approximately RMB1.9 million, or 1%, from approximately RMB197.1 million for the six months ended June 30, 2018 to approximately RMB195.2 million for the six months ended June 30, 2019. The decrease was mainly due to the Acquisition of China Aerospace, and the decrease in realized oil price.

The Group's EBITDA and Adjusted EBITDA by operating segment for the six months ended June 30, 2019 and 2018 are set out below:

	Six months ended June 30, 2019		
	PRC	**Corporate**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Profit/(loss) before income tax from continuing operations	**36,702**	**(377,820)**	**(341,118)**
Finance income	**(12)**	**(7,137)**	**(7,149)**
Finance costs	**55,064**	**239,598**	**294,662**
Depreciation, depletion and amortization	**168,403**	**2,257**	**170,660**
EBITDA from continuing operations	**260,157**	**(143,102)**	**117,055**
Value of employee services under share-based payments plan	**1,619**	**4,978**	**6,597**
Provision of impairment losses on financial assets, net	**–**	**22,336**	**22,336**
Impairment Charges	**–**	**4,740**	**4,740**
Losses on changes in fair value of financial instruments	**–**	**18,220**	**18,220**
Withholding tax	**–**	**1,876**	**1,876**
Losses on disposal of financial instruments	**–**	**24,364**	**24,364**
Adjust EBITDA from continuing operations	**261,776**	**(66,588)**	**195,188**

	Six months ended June 30, 2018		
	PRC	Corporate	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) before income tax from continuing operations	63,434	(242,981)	(179,547)
Finance income	(68)	(27,348)	(27,416)
Finance costs	45,310	208,758	254,068
Depreciation, depletion and amortization	150,061	105	150,166
EBITDA from continuing operations	258,737	(61,466)	197,271
Value of employee services under share-based payments plan	700	53,077	53,777
Reversal of impairment losses on financial assets, net	(12,755)	(71,978)	(84,733)
Impairment Charges	–	3,194	3,194
Gains on changes in fair value of financial instruments	–	(11,605)	(11,605)
Withholding tax	–	4,441	4,441
Losses on disposal of financial instruments	–	3,198	3,198
Losses on disposal of assets, net	–	17,512	17,512
Others	(1,854)	15,923	14,069
Adjusted EBITDA from continuing operations	244,828	(47,704)	197,124

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary source of cash during the six months ended June 30, 2019 was cash generated from operating activities.

In 1H2019, we had net cash generated from operating activities of RMB165.2 million, net cash used in investing activities of RMB114.7 million and net cash used in financing activities of RMB68.7 million, a translation gain for foreign currency exchange of RMB0.5 million, resulting in a net decrease in cash and cash equivalent of RMB17.8 million compared to the cash balance of RMB28.1 million as at December 31, 2018.

Borrowings

As at June 30, 2019, for the continuing operations, the Group's borrowings amounted to approximately RMB4,389.6 million, representing an increase of approximately RMB53.6 million as compared to December 31, 2018. Among these, borrowings repayable within one year amounted to approximately RMB2,275.7 million, representing a decrease of RMB274.2 million as compared to that of December 31, 2018. All of the Group's borrowings are denominated in United States Dollars and Hong Kong Dollars. The Group's borrowings are all at fixed interest rates. No hedging instruments are used for bank borrowings.

For the continuing operations, our gearing ratio, which is defined as total borrowings less cash and cash equivalents ("Net Borrowings") divided by the sum of Net Borrowings and total equity, increased from 164.7% as at December 31, 2018 to 203.2% as at June 30, 2019, primarily due to increase of borrowings.

Our total borrowings to Adjusted EBITDA ratio, which is defined as total borrowings divided by Adjusted EBITDA increased from 10.6 as at December 31, 2018 to 11.2 as at June 30, 2019.

Market Risks

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

Oil and natural 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 1H2019, 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 revenue 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 of the Group is not in a position to anticipate changes in the fluctuations between the Canadian dollars and RMB exchange rates, and as such is unable to reasonably anticipate the impacts on the Group's results of operations or financial position arising from future changes 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, 2019, certain assets, comprising principally oil assets and properties in Canada, were pledged to banks as security for banking facilities with an aggregate outstanding amount of RMB440.2 million. In addition, as at June 30, 2019, the Group's interest under the PSCs in China, bank accounts and shares of subsidiaries and associates of the Group were pledged to secure borrowings in the aggregate amount of RMB2,659.8 million.

EMPLOYEES

As at June 30, 2019, the Company had 1,347 employees, with 1,024 based in China (Mainland and Hong Kong), two based in USA and 321 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, 2018 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, 2019.

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 "CG Code") as contained in Appendix 14 of the Rule Governing the Listing of Securities on the Stock Exchange. The terms of reference were revised on August 24, 2016 and have been made available on the websites of the Stock Exchange and the Company.

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

During the six months ended June 30, 2019, the Company commenced and completed an exchange offer ("Exchange Offer") with respect to its US$500 million 7.5% senior notes due in 2019 (the "2019 Senior Notes"). The noteholders representing approximately 84% of the total principal amount outstanding at December 31, 2018 accepted the Exchange Offer. Accordingly, the Company exchanged US$265.3 million aggregate principal amount of the 2019 Senior Notes (the "Exchanged Notes") for US$248.4 million aggregate principal amount of the Company's new 13.750% Senior Notes due 2022 (the "2022 Senior Notes") and the other exchange consideration in accordance with the terms and conditions of the Exchange Offer. The Company has arranged for cancellation of the Exchanged Notes.

Following the exchange and cancellation of the Exchanged Notes, the Company redeemed the remaining outstanding principal, plus accrued interest, of the 2019 Senior Notes in the amount of US$52.6 million in full on April 25, 2019, the maturity date. Subsequently, the 2019 Senior Notes were cancelled and delisted from the official list of the SGX-ST.

As at June 30, 2019, the 2022 Senior Notes in principal amount of US$248.4 million remained outstanding.

Save as disclosed above, neither the Company nor any of its subsidiaries has bought back, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2019.

AMENDMENTS TO CONVERTIBLE BONDS

On January 26, 2018, the Company completed the placing of convertible bonds to independent placee(s) (the "Convertible Bonds"). The Convertible Bonds are in the principal amount of HK$340.0 million (equivalent to approximately RMB299.1 million) and was listed on the Stock Exchange. The terms of the convertible bonds were amended on January 22, 2019, February 27, 2019 and April 12, 2019, respectively, whereby (i) the conversion rights to the Company's shares were cancelled; and (ii) the related exercise date of the put option for redemption was changed from January 26, 2019 to any date on or after March 15, 2019 until maturity.

Save as disclosed above, there have been no further material changes to the Convertible Bonds for the six months ended June 30, 2019.

SHARE OPTION

Cancellation of Vested Options

Pursuant to the stock incentive compensation plan adopted by the Company on November 20, 2009 (the "Plan"), the Company granted share options to directors, executives and certain employees of the Company, entitling the option holders to subscribe for an aggregate of 29,902,758 ordinary shares of the Company of US$0.001 each at an exercise price of US$0.13 or US$0.25 per Share. As at May 16, 2019, with respect to options granted under the Plan, options in respect of 7,746,089 Shares in aggregate were outstanding, all of which were vested but not exercised.

Pursuant to the share option scheme adopted by the Company on November 27, 2010 (the "Scheme"), the Company granted share options to directors, executives and certain employees of the Company, entitling the option holders to subscribe for an aggregate of 305,248,000 ordinary shares of the Company of US$0.001 each at an exercise price of HK$2.254, HK$1.4 and HK$0.816 per Share respectively. As at May 16, 2019, with respect to options granted under the Scheme, options in respect of 122,633,243 Shares in aggregate were outstanding, all of which were vested but not exercised.

The exercise prices of the existing outstanding options under both the Scheme and the Plan (the "Existing Options") have been consistently higher when compared with the prevailing market price of the Shares. As a result, the Existing Options could no longer serve as an effective incentive for the existing holders of the Existing Options (the "Existing Grantees"). Accordingly, the Company has on May 16, 2019 cancelled 122,333,243 and 3,079,266 Existing Options under the Scheme and the Plan, respectively.

Grant of New Options

On May 16 2019, the Company granted share options pursuant to the Scheme to Existing Grantees and certain employees of the Company to subscribe for an aggregate of 155,089,171 Shares. These options have an exercise price of HK$0.269 per share and a term of 10 years from the grant date, and will vest over three years.

CORPORATE GOVERNANCE CODE

The Company has complied with the principles and code provisions as set out in the CG Code as contained in Appendix 14 to the Listing Rules throughout the period from January 1, 2019 to June 30, 2019, 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 the 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 to 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, 2019. 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, 2018, other than those disclosed in this interim results announcement. In addition, save as otherwise disclosed in this announcement, there have not been any important events affecting the Company and its subsidiaries which have occurred since June 30, 2019.

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, 2019 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
MIE Holdings Corporation
Mr. Zhang Ruilin
Chairman

Hong Kong, August 30, 2019

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei and Mr. Wang Xiong; (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