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MIE HOLDINGS CORPORATION
MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

ANNOUNCEMENT
(1) INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(2) RESUMPTION OF TRADING

SUMMARY OF OPERATIONAL AND FINANCIAL PERFORMANCE

Continuing operations

	Six months ended June 30, 2020	2019	**Change**	**% Change**
Average realized price of crude oil *(US$ per barrel)*	**40.97**	57.65	(16.68)	(28.9%)
Average realized price of natural gas *(US$ per Mscf)*	**6.20**	6.30	(0.10)	(1.6%)
Gross production of crude oil *(million barrels)*	**2.33**	2.26	0.07	3.1%
Net production of crude oil *(million barrels)*	**1.03**	0.91	0.12	13.2%
Net sales of crude oil *(million barrels)*	**1.01**	0.91	0.10	11.0%
Net production of natural gas *(MMscf)*	**0.85**	0.68	0.17	25.0%
Net sales of natural gas *(MMscf)*	**0.85**	0.68	0.17	25.0%
Wells drilled during the period *(Gross)*	**–**	2.00	(2.00)	(100.0%)
Revenue *(RMB'000)*	**289,495**	358,431	(68,936)	(19.2%)
Loss for the period *(RMB'000)*	**(834,471)**	(363,532)	(470,939)	129.5%
Basic loss per share *(RMB per share)*	**(0.26)**	(0.12)	(0.14)	116.7%
EBITDA *(RMB'000)*	**(353,418)**	117,055	(470,473)	(401.9%)
Adjusted EBITDA *(RMB'000)*	**159,275**	195,188	(35,913)	(18.4%)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2020	2019
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue from contracts with customers	*4*	**289,495**	358,431
Depreciation, depletion and amortization		**(181,706)**	(170,660)
Taxes other than income taxes	*5*	**(3,453)**	(3,785)
Employee benefit expenses		**(50,039)**	(57,711)
Purchases, services and other direct costs		**(49,957)**	(52,780)
Distribution costs		**(8,709)**	(7,814)
General and administrative expenses		**(26,912)**	(53,661)
Reversal/(provision) of impairment losses on financial assets, net		**21,335**	(22,336)
Impairment charges		**(528,968)**	(4,740)
Other gains/(losses), net	*6*	**3,790**	(38,549)
Finance income		**26,412**	7,149
Finance costs		**(323,873)**	(294,662)
Loss before income tax		**(832,585)**	(341,118)
Income tax expense	*7*	**(1,886)**	(22,414)
Loss for the period from continuing operations		**(834,471)**	(363,532)
Discontinued operations			
Loss for the period from discontinued operations		**–**	(233,692)
Loss for the period		**(834,471)**	(597,224)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Six months ended June 30, **2020** *RMB'000* **(Unaudited)**	2019 *RMB'000* (Unaudited)
Other comprehensive (losses)/income:			
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		**(1,808)**	1,802
Items that may be reclassified to profit or loss			
Currency translation differences		**(73,228)**	(9,918)
Discontinued operations			
Items that may be reclassified to profit or loss			
Currency translation differences		**–**	41,990
Other comprehensive (losses)/income for the period, net of tax		**(75,036)**	33,874
Total comprehensive losses for the period		**(909,507)**	(563,350)
Loss for the period attributable to:			
Owners of the Company		**(834,471)**	(594,854)
Non-controlling interests		**–**	(2,370)
		(834,471)	(597,224)
Loss for the period attributable to owners of the Company arising from:			
Continuing operations		**(834,471)**	(361,162)
Discontinued operations		**–**	(233,692)
		(834,471)	(594,854)
Total comprehensive losses for the period attributable to:			
Owners of the Company		**(909,507)**	(560,980)
Non-controlling interests		**–**	(2,370)
		(909,507)	(563,350)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

		Six months ended June 30,	
		2020	2019
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Total comprehensive losses for the period attributable to owners of the Company arising from:			
Continuing operations		**(909,507)**	(369,278)
Discontinued operations		**–**	(191,702)
		(909,507)	(560,980)
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		**(0.26)**	(0.12)
Discontinued operations		**–**	(0.08)
		(0.26)	(0.20)
Diluted loss per share	*8*		
Continuing operations		**(0.26)**	(0.12)
Discontinued operations		**–**	(0.08)
		(0.26)	(0.20)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**1,024,563**	1,678,414
Intangible assets		**58,848**	94,025
Right-of-use assets		**16,329**	11,839
Deferred income tax assets		**816**	816
Financial assets at fair value through other comprehensive income		**42,584**	43,754
Prepayments, deposits and other receivables		**392,428**	385,363
		1,535,568	2,214,211
Current assets			
Inventories		**18,304**	16,370
Prepayments, deposits and other receivables		**58,414**	71,036
Trade and notes receivables	*10*	**30,667**	61,374
Restricted cash		**46,898**	46,213
Cash and cash equivalents		**9,524**	13,711
		163,807	208,704
Total assets		**1,699,375**	2,422,915
Equity			
Equity attributable to owners of the Company			
Share capital		**1,101,249**	1,101,249
Other reserves		**(161,910)**	(90,048)
Accumulated losses		**(4,589,804)**	(3,755,333)
Total shareholders' deficit		**(3,650,465)**	(2,744,132)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings	*11*	**–**	1,720,505
Lease liabilities		**8,159**	4,738
Deferred income tax liabilities		**174,188**	173,803
Trade and notes payable	*12*	**30,808**	74,169
Provisions, accruals and other liabilities	*13*	**156,370**	143,041
		369,525	2,116,256
Current liabilities			
Trade and notes payable	*12*	**301,931**	386,076
Provisions, accruals and other liabilities	*13*	**529,139**	371,061
Current income tax liabilities		**–**	6,185
Borrowings	*11*	**4,139,964**	2,278,762
Lease liabilities		**9,281**	8,707
		4,980,315	3,050,791
Total liabilities		**5,349,840**	5,167,047
Total shareholders' deficit and liabilities		**1,699,375**	2,422,915

1. GENERAL INFORMATION

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

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

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

The condensed interim consolidated financial information is presented in 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 November 27, 2020.

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, 2020 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, 2019, 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 was significantly affected by the relatively low commodity prices of oil and gas and the high borrowing costs for general funding and re-financing purposes. During the period, the Group incurred a net loss of RMB834.5 million.

As at June 30, 2020, the Group had a shareholders' deficit of RMB3,650.5 million and the its current liabilities exceeded its current assets by RMB4,816.5 million. As at the same date, the Group had total borrowings of RMB4,140.0 million. Included in the current liabilities as at June 30, 2020 were (1) a secured borrowing of US$58.8 million (equivalent to approximately RMB 416.3 million), repayable on demand (the "On-Demand Borrowing"); (2) secured borrowings of RMB1,951.0 million which were repayable within twelve months from June 30, 2020; and (3) unsecured borrowings of RMB1,758.5 million, representing the senior notes listed on the Singapore Exchange Securities Trading Limited in the principal amount of US$248.4 million with a contractual due date on April 12, 2022 (the "2022 Senior Notes"). As at June 30, 2020, the Group had cash and cash equivalents of RMB56.4 million, of which RMB9.5 million was unrestricted.

On May 11, 2020, the Group however did not pay the interest accrued on the 2022 Senior Notes of RMB120.5 million (US$17.1 million) due on April 12, 2020, which resulted in an event of default by the Group after the expiry of the grace period. As a result, the entire balance of the principal and related outstanding interest due on the 2022 Senior Notes became immediately repayable if requested by the holders of such notes (the "Noteholders"). This event of default also triggered the cross-default of the borrowings under (1) and (2) (the "Cross-Defaulted Borrowings") and immediate repayment of such borrowings if requested by the respective lenders of these borrowings (the "Lenders"). In addition, the secured borrowings under (2) were also subsequently defaulted because of non-payment at their respective due dates. Up to the date of approval of these financial statements, the Noteholders and the Lenders have not requested immediate repayments of any of the funding provided to the Group, nor any written waiver has been obtained from them. No additional borrowings were undertaken by the Group subsequent to June 30, 2020.

Furthermore, the Group's performance in the six-month period ended June 30, 2020 and subsequent to June 30, 2020 has been significantly affected by the low commodity price of crude oil as a result of the breakdown of production reduction negotiations amongst the Organisation of Petroleum Exporting Countries (the "OPEC"), coupled with the unfavourable outlook for the global economy due to the outbreak of Coronavirus Disease 2019 (the "COVID-19") in early 2020.

The above conditions indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, and have taken the following measures to mitigate the liquidity pressure and to improve its cash flows:

(a) The Group will continue its ongoing efforts in convincing the Lenders and the Noteholders not to take any actions against the Group for immediate payment of the principals and interest of the Cross-Defaulted Borrowings and the 2022 Senior Notes. Based on latest communications with the Lenders and certain key Noteholders, there is no indication that these parties have any current intention to take action against the Group to demand immediate payment;

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

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

(d) The Group will also continue to seek other alternative financing, including proceeds from the disposal of assets, to finance the settlement of its existing financial obligations and future operating and capital expenditures.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from June 30, 2020. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due within the next twelve months from the 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 management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) the Lenders and the Noteholders not taking any actions against the Group to exercise their rights to demand immediate payments of the principals and interests of the Cross-Defaulted Borrowings and the 2022 Senior Notes before the finalisation of the Debt Restructuring Plans and execution of the Restructuring Agreements;

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

(iii) actual oil prices throughout the forecast period up to June 30, 2021 being in line with the projected levels included in the cashflow projections; and

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

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

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, 2019.

Amended standards adopted by the Group

The following amended standards became applicable for the current reporting period:

• Amendments to IAS 1 and IAS 8	Definition of Material
• Amendments to IFRS 3	Definition of a Business
• Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

These amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

4. SEGMENT INFORMATION

As at June 30, 2020, the Group operated as a single operating segment in the PRC. The segment information for six months ended June 30, 2020 is as follows:

For the six months ended June 30, 2020:

	PRC ***RMB'000*** **(Unaudited)**	**Corporate and other segments** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Continuing operations			
Segment revenue	**289,495**	**–**	**289,495**
Depreciation, depletion and amortization	**(177,652)**	**(4,054)**	**(181,706)**
Taxes other than income taxes *(Note 5)*	**(1,567)**	**(1,886)**	**(3,453)**
Employee benefit expenses	**(25,537)**	**(24,502)**	**(50,039)**
Purchases, services and other direct costs	**(49,957)**	**–**	**(49,957)**
Distribution costs	**(8,709)**	**–**	**(8,709)**
General and administrative expenses	**(4,618)**	**(22,294)**	**(26,912)**
Reversal of impairment losses on financial assets, net	**–**	**21,335**	**21,335**
Impairment charges	**(528,968)**	**–**	**(528,968)**
Other gains, net	**2,185**	**1,605**	**3,790**
Finance income	**325**	**26,087**	**26,412**
Finance costs	**(57,392)**	**(266,481)**	**(323,873)**
Loss before income tax	**(562,395)**	**(270,190)**	**(832,585)**
Income tax expense	**(1,725)**	**(161)**	**(1,886)**
Loss for the period	**(564,120)**	**(270,351)**	**(834,471)**

As at June 30, 2020:

	PRC ***RMB'000*** **(Unaudited)**	**Corporate and other segments** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Total assets	**1,215,054**	**484,321**	**1,699,375**
Total liabilities	**1,779,160**	**3,570,680**	**5,349,840**

For the six months ended June 30, 2019:

	PRC	North America	Corporate and other segments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
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 expenses	(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 December 31, 2019:

	PRC	Corporate and other segments	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Total assets	1,980,084	442,831	2,422,915
Total liabilities	1,834,547	3,332,500	5,167,047

	Six months ended June 30, 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Timing of revenue recognition		
At a point in time		
— Sales of oil and gas	**289,495**	355,058
— Provision of services and others	**–**	3,373
	289,495	358,431

For the six months ended June 30, 2020, total revenue from crude oil and gas sales in the PRC amounting to RMB289.5 million (Six months ended June 30, 2019: RMB355.1 million) are derived solely from PetroChina. Crude oil sales revenues from PetroChina accounted for 100% of the Group's total revenue from continuing operations for the period (Six months ended June 30, 2019: 99.1%).

5. TAXES OTHER THAN INCOME TAXES

	Six months ended June 30, 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
PRC		
Urban construction tax and education surcharge	**1,524**	1,869
Others	**43**	42
	1,567	1,911
Corporate and other segments		
Withholding tax and others	**1,886**	1,874
	3,453	3,785

Note:

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

6. OTHER GAINS/(LOSSES), NET

	Six months ended June 30, 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Losses on changes in fair value of financial instruments	**–**	(18,220)
Losses on disposal of financial instruments	**–**	(24,364)
Others	**3,790**	4,035
	3,790	(38,549)

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**1,501**	1,527
Deferred income tax	**385**	20,887
	1,886	22,414

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, 2020 are 25%.

8. LOSS PER SHARE

(a) Basic

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

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attribute to owners of the company used to determine basic loss per share		
— Continuing operations	**(834,471)**	(361,162)
— Discontinued operations	**–**	(233,692)
Weighted average number of ordinary shares *(thousands)*	**3,257,416**	3,016,505
Basic loss per share		
— Continuing operations	**(0.26)**	(0.12)
— Discontinued operations	**–**	(0.08)
	(0.26)	(0.20)

(b) Diluted

The dilutive loss per share is the same as the basic loss per share.

9. DIVIDENDS

The Board of Directors did not recommend payment of interim dividend for the six months ended June 30, 2020 (Six months ended June 30, 2019: nil).

10. TRADE AND NOTES RECEIVABLES

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

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 30 days	**29,801**	61,238
Over 180 days	**866**	136
	30,667	61,374

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, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current		
— 2022 Senior Notes	**–**	1,720,505
	–	1,720,505
Current		
— 2022 Senior Notes	**1,758,505**	–
— On-Demand Borrowing	**416,275**	394,693
— Other loans	**1,965,184**	1,884,069
	4,139,964	2,278,762
	4,139,964	3,999,267

Note:

As described in Note 2.1, on May 11, 2020, the 2022 Senior Notes defaulted due to failure to pay interests of RMB120.5 million (US$17.1 million) due on April 12, 2020. As a result of the event of default, the entire balance of the principal and related outstanding interest due on the 2022 Senior Notes were reclassified to current liabilities.

12. TRADE AND NOTES PAYABLE

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

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 6 months	**89,456**	222,202
6 months–1 year	**126,126**	93,183
1–2 years	**83,525**	99,986
2–3 years	**22,425**	30,707
Over 3 years	**11,207**	14,167
	332,739	460,245

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

13. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Asset retirement obligations *(Note)*	**96,668**	86,264
Interest payable	**305,641**	122,846
Salary and welfare payable	**83,722**	84,615
Withholding and other tax payable	**59,743**	58,186
Other payables	**139,735**	162,191
	685,509	514,102
Less:		
Non-current portion of		
— Asset retirement obligations	**(96,668)**	(86,264)
— Withholding tax payable	**(59,702)**	(56,777)
	(156,370)	(143,041)
Current	**529,139**	371,061

Note:

Movements of asset retirement obligations are as follows:

	RMB'000 (Unaudited)
As at January 1, 2020	86,264
Amortization of discounts	10,404
As at June 30, 2020	96,668

BUSINESS REVIEW AND PROSPECTS

In the first half of 2020 ("1H2020"), the un-precedented decrease in demand due to outbreak of COVID-19 coupled with the dislocation on the supply side brought huge uncertainties to the international crude oil market, resulting in large fluctuations in international oil prices. The Group's oil and gas production decreased by 76.3% to about 2.33 million barrels oil equivalent ("BOE", where 1 BOE = 6,000 standard cubic feet natural gas) compared with the amount of 1H2019 and net oil and gas production decreased by 87.9% to about 1.03 million BOE compared with the amount of 1H2019. During the 1H2020, net sales of crude oil decreased by 31.3% to approximately 1.01 million barrels from that of 1H2019, while natural gas sales decreased by 99.998% to 848 thousand standard cubic feet ("Mscf"). The significant decrease in production and sales resulted mainly from sale of Canlin Energy Corporation ("Canlin") and its oil and gas asset in Canada back in September 2019.

In 1H2020, the average realized crude oil price of the Group decreased by 22.2% to US$40.97 per barrel as compared with that of 1H2019, and the average realized natural gas price increased to US$6.20 per Mscf. In 1H2020, revenue from China decreased by 19.2% to RMB289.5 million as compared with 1H2019. In 1H2020, loss for the period from the segments other than North America increased by 129.6% to RMB834.5 million as compared with RMB363.5 million in 1H2019 and the respective loss per share was RMB0.26 in 1H2020.

In 1H2020, the EBITDA of the Group from segments other than North America segment decreased by RMB470.5 million to negative RMB353.4 million from RMB117.1 million in 1H2019 and the respective adjusted EBITDA decreased by RMB35.9 million to RMB159.3 million.

The following table sets out a summary of expenditures incurred in our exploration, development, and production activities for the six months ended June 30, 2020:

(RMB millions)	**Exploration expenditures**	**Development expenditures**	**Production/ operating expenditures**
China Onshore Projects (Daan, Moliqing)	–	19	65
Total	–	19	65

The Group incurred development expenses of RMB19 million and production expenses of RMB65 million during the six months ended June 30, 2020.

China Operations (Daan, Moliqing, South China Sea)

Our projects in northeastern China maintained a relatively stable production in 1H2020. As at June 30, 2020, the Group held a participating interest of 100% and 10% in the Daan production sharing contract ("PSC") and the Moliqing PSC respectively. During 1H2020, the total gross operated production for Daan and Moliqing increased by 3.1% from 2.26 million barrels in 1H2019 to 2.33 million barrels. Total net production allocated to the Group increased by 13.2% from 0.91 million barrels in 1H2019 to 1.03 million barrels. During 1H2020, the gross operated production increased by 2.5% to 12,816 barrels per day ("BOPD") as compared to 1H2019, and net production allocated to the Group increased by 12.2% to 5,663 BOPD. With the collapse of international crude oil prices, the average oil price of Daan and Moliqing decreased by 28.9% from US$57.65 per barrel in 1H2019 to US$40.97 per barrel in 1H2020. The Group continued to focus on cost control and further decrease the lifting costs for Daan by US$1.64/barrel, or 16.3%, from US$10.01/barrel for 1H2019 to a remarkable US$8.37/barrel for 1H2020.

On June 4, 2020, the Group successfully extended the term of the Daan PSC from December 31, 2024 to February 29, 2028 by extending the production period under the PSC. Pursuant to the extended PSC, the Group continues to operate the Daan oil field pursuant to the terms of the PSC and a supplemental overall development plan. The extension brings the Group additional business certainty and allows it to invest in Daan oilfield for future production and generate steady operating cash flow.

Kazakhstan Operations (Emir-Oil)

We hold an indirect 40% interest in Emir-Oil in Kazakhstan. In 2019, Emir-Oil obtained production contracts for North Kariman and Yessen fields, for the respective periods of 16 years and 25 years respectively starting from January 1, 2020. Currently, Emir-Oil holds one exploration contract and six production contracts covering the Aksaz, Dolinnoe, Emir, Kariman, North kariman and Yessen producing oilfields. As at the end of 1H2020, Emir-Oil had a total of 20 producing wells. The daily production of crude oil attributable to the Group decreased by 35.8% from 1,027 BOPD in 1H2019 to 659 BOPD in 1H2020 mainly due to natural decline and uneconomic shut-ins.

OUTLOOK FOR 2020

At the beginning of 2020, the intensification of the US-Iran geopolitical conflict and the improved China-US trade talk provided certain positive support for oil prices, making oil prices relatively strong. However, the COVID-19 pandemic drastically reduced global oil demand. Many governments implemented lockdown and travel restrictions to contain COVID-19. The drop in demand was worsened by a supply glut. The two factors combined together crashed the oil price into negative territory in April. As COVID-19 pandemic evolves, demand remains uncertain and a significant risk to sustained oil price recovery. In addition, the US presidential election in early November, year-end Brexit deadline and possible second wave of COVID-19 pandemic would all have impact on oil prices.

Operating in such a challenging market environment, the management continued to focus on safety and maximizing value through enhanced performance and lower costs. The Group will continue to (1) grow stable crude production by disciplined capital investment including re-completion of old wells, and drilling of economical new wells; (2) focus on deleveraging by disposing non-core asset; and (3) focus on controlling and reducing costs throughout the organization.

Restructuring of the Company

On May 11, 2020, the Company did not make the scheduled interest payment in relation to the Senior Notes (the "Default"). The Default has also triggered cross defaults under the other loan facilities entered into between members of the Group and its other lenders. The Company has assessed that the potential demands for repayment of loans by the relevant lenders including those yet to fall due, and the aggregate unfulfilled repayment obligations and possible breaches of the other loan facilities and notes amount to approximately over US$316.6 million in principal amount plus accrued interest on such principal amount.

The Company has been proactively discussing with various creditors and the Company's advisors in relation to the debt restructuring ("Debt Restructuring"), including but not limited to deferral of interest payment, reduction of interest rate and extension of maturity, which is expected to substantially improve the Group's financial position and address the Company's liquidity concerns. As at the date of this announcement, no agreement in relation to be above arrangements has been entered into or agreed between the Company and its creditors.

REVIEW OF FINANCIAL RESULTS

Continuing operations

Revenue

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

The Group's revenue generated from sales of oil and gas was contributed entirely by our China oil fields, which decreased by RMB65.6 million, or 18.5%, from RMB355.1 million for the six months ended June 30, 2019 to RMB289.5 million for the six months ended June 30, 2020. Revenue decrease was primarily due to the lower realized oil price, from US$57.65 per barrel for the six months ended June 30, 2019 to US$40.97 per barrel for the six months ended June 30, 2020, partially offset by higher volumes. Crude oil sales volume increased by 0.1 million barrels, or 11.0%, from 0.91 million barrels for the six months ended June 30, 2019 to 1.01 million barrels for the six months ended June 30, 2020.

Operating expenses

Depreciation, depletion and amortization. The Group's depreciation, depletion and amortization increased by RMB11.0 million, or 6.4%, from RMB170.7 million for the six months ended June 30, 2019 to RMB181.7 million for the six months ended June 30, 2020. The increase in depreciation, depletion and amortization was mainly due to the following: (i) the increase in sales and production volumes during the six months ended 2020 than 2019; (ii) the depreciation, depletion and amortization related to ARO increased of RMB7.1 million.

Taxes other than income taxes. The Group's taxes other than income taxes decreased by RMB0.3 million, or 7.9%, from RMB3.8 million for the six months ended June 30, 2019 to RMB3.5 million for the six months ended June 30, 2020. The following table summarizes the Group's taxes other than income taxes for the six months ended June 30, 2020 and 2019:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC		
Urban construction tax and education surcharge	**1,524**	1,869
Others	**43**	42
	1,567	1,911
Corporate and other segments		
Withholding tax and others	**1,886**	1,874
	3,453	3,785

PRC

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

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 RMB7.7 million, or 13.3%, from RMB57.7 million for the six months ended June 30, 2019 to RMB50.0 million for the six months ended June 30, 2020. The decrease in employee compensation costs was primarily due to the decrease of share-based payment to employees and the exemption on employer's social security contribution during the COVID-19 period in the PRC.

Purchases, services and other expenses. The Group's purchases, services and other expenses decreased by RMB2.8 million, or 5.3%, from RMB52.8 million for the six months ended June 30, 2019 to RMB50.0 million for the six months ended June 30, 2020. The decrease was primarily due to the stringent cost control measures and optimization measures on the wells implemented by the Group.

Distribution and administrative expenses. The Group's distribution and administrative expenses decreased by RMB25.9 million, or 42.1%, from RMB61.5 million for the six months ended June 30, 2019 to RMB35.6 million for the six months ended June 30, 2020. The decrease in distribution and administrative expenses was primarily due to the amortization relating to financing for the six months ended June 30, 2019 and the more stringent cost control measures for the six months ended June 30, 2020.

Reversal/(provision) of impairment losses on financial assets, net. For the six months ended June 30, 2020, the Group has reversed impairment losses on financial assets amounting to RMB21.3 million, compared to a loss provision of RMB22.3 million for the six months ended June 30, 2019.

Impairment charges. Due to significant lower global oil prices during the six months ended June 30, 2020, the Group recognized an impairment charge amounting to RMB529.0 million on the long-live assets relating to assets in the PRC, to reflect their carrying value to the estimated recoverable amount calculated based on value-in-use. The Group recognized impairment charges of RMB4.7 million on investment in PetroBroad for the six months ended June 30, 2019.

Other losses, net. The Group had net other gain of RMB3.8 million for the six months ended June 30, 2020, compared to net other losses of RMB38.5 million for the six months ended June 30, 2019. The change was mainly due to the Group recognized losses on changes in fair value of financial instruments of RMB18.2 million and losses on disposal of financial instruments of RMB24.4 million for the six months ended June 30, 2019.

Finance costs, net

The Group's net finance costs increased by RMB10.0 million, or 3.5%, from RMB287.5 million for the six months ended June 30, 2019 to RMB297.5 million for the six months ended June 30, 2020. There is generally no change for the finance cost for the same period of the two years.

Loss before income tax

The Group's loss before income tax was RMB832.6 million for the six months ended June 30, 2020, compared to the loss before income tax of RMB341.1 million for the six months ended June 30, 2019, representing an increase of RMB491.5 million, or 144.1%. The increase was primarily due to the impairment charge amounting to RMB529.0 million on the long-live assets relating to assets in the PRC, as a result of the significant lower global oil prices during the six months ended June 30, 2020.

Income tax expense

The Group recorded income tax expense of RMB1.9 million for the six months ended June 30, 2020, compared to income tax expense of RMB22.4 million for the six months ended June 30, 2019, representing a decrease of RMB20.5 million, or 91.5%. The effective tax rate for the six months ended June 30, 2020 was negative 0.2%, compared to the effective tax rate for the six months period ended June 30, 2019 of negative 7%.

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, 2020 was RMB834.5 million, compared to a net loss from continuing operations of RMB363.5 million for the six months ended June 30, 2019.

Loss for the period

The Group's loss for the six months ended June 30, 2020 was RMB834.5 million, compared to the loss of RMB597.2 million for the six months ended June 30, 2019, increased by RMB237.3 million, or 39.7%. 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, 2020, 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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss before income tax from continuing operations	**(832,585)**	(341,118)
Finance income	**(26,412)**	(7,149)
Finance costs	**323,873**	294,662
Depreciation, depletion and amortization	**181,706**	170,660
EBITDA from continuing operations	**(353,418)**	117,055
Share-based payment to employees	**3,174**	6,597
(Reversal)/provision of impairment losses on financial assets, net	**(21,335)**	22,336
Impairment charges	**528,968**	4,740
Losses on changes in fair value of financial instruments	**–**	18,220
Withholding tax	**1,886**	1,876
Losses from disposal of financial instruments	**–**	24,364
Adjusted EBITDA from continuing operations	**159,275**	195,188

The Group's EBITDA decreased by approximately RMB470.5 million, from approximately RMB117.1 million for the six months ended June 30, 2019 to approximately negative RMB353.4 million for the six months ended June 30, 2020. The decrease was mainly due to the impairment charge amounting to RMB529.0 million on the long-live assets relating to assets in the PRC, as a result of the significant lower global oil prices during the six months ended June 30, 2020.

The Group's adjusted EBITDA decreased by approximately RMB35.9 million, or 18.4%, from approximately RMB195.2 million for the six months ended June 30, 2019 to approximately RMB159.3 million for the six months ended June 30, 2020. The decrease was mainly due to the significant drop in realized oil price.

The Group's EBITDA and Adjusted EBITDA by operating segment for the six months ended June 30, 2020 and 2019 are set out below:

	Six months Ended June 30, 2020		
	PRC	**Corporate and others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Loss before income tax from continuing operations	**(562,395)**	**(270,190)**	**(832,585)**
Finance income	**(325)**	**(26,087)**	**(26,412)**
Finance costs	**57,392**	**266,481**	**323,873**
Depreciation, depletion and amortization	**177,652**	**4,054**	**181,706**
EBITDA from continuing operations	**(327,676)**	**(25,742)**	**(353,418)**
Share-based payment to employees	**761**	**2,413**	**3,174**
Revesal of impairment losses on financial assets	**–**	**(21,335)**	**(21,335)**
Impairment charges	**528,968**	**–**	**528,968**
Withholding tax	**–**	**1,886**	**1,886**
Losses from disposal of financial instruments	**–**	**–**	**–**
Adjusted EBITDA from continuing operations	**202,053**	**(42,778)**	**159,275**

	Six months Ended June 30, 2019		
	PRC	Corporate and others	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
Share-based payment to employees	1,619	4,978	6,597
Net impairment losses on financial assets	–	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 from disposal of financial instruments	–	24,364	24,364
Adjusted EBITDA from continuing operations	261,776	(66,588)	195,188

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary source of cash during the six months ended June 30, 2020 was cash generated from operating activities.

In 1H2020, we had net cash generated from operating activities of RMB55.1 million, net cash used in investing activities of RMB31.9 million and net cash used in financing activities of RMB28.6 million, a translation gain for foreign currency exchange of RMB1.2 million, resulting in a net decrease in cash and cash equivalent of RMB4.2 million compared to the cash balance of RMB13.7 million as at December 31, 2019.

Borrowings

As at June 30, 2020, the Group's borrowings amounted to approximately RMB4,140.0 million, representing an increase of approximately RMB140.7 million as compared to December 31, 2019. All of the balance of borrowings repayable are within one year, representing an increase of RMB1,861.2 million as compared to that of December 31, 2019. 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.

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 321.0% as at December 31, 2019 to 860.6% as at June 30, 2020, primarily due to the decrease of total equity.

Our total borrowings to Adjusted EBITDA ratio, which is defined as total borrowings divided by Adjusted EBITDA increased from 12.4 as at December 31, 2019 to 13.0 as at June 30, 2020.

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.

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 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, 2020, 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 RMB2,367.3 million.

EMPLOYEES

As at June 30, 2020, the Company had 1,034 employees, with 1,033 based in China (the PRC and Hong Kong) and one based in USA. 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, 2020.

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

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, 2020.

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, 2020 to June 30, 2020.

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

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, 2020 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the said websites in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company has been suspended from 9:00 a.m. on April 1, 2020 and will continue to be suspended until the Company fulfils the Resumption Guidance. The Company is pleased to announce that as all the resumption conditions provided by the Hong Kong Stock Exchange have been fulfilled, an application has been made to the Hong Kong Stock Exchange for the resumption of trading of the shares of the Company on the Hong Kong Stock Exchange with effect from 9:00 a.m. on November 30, 2020.

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

Hong Kong, 27 November 2020

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