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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022

SUMMARY OF OPERATIONAL AND FINANCIAL PERFORMANCE

	Six months ended June 30,			
	2022	2021	**Change**	**% Change**
Average realized price of crude oil *(US$ per barrel)*	**94.75**	57.20	37.55	65.6%
Average realized price of natural gas *(US$ per Mscf)*	**6.57**	6.60	(0.03)	(0.5%)
Gross production of crude oil *(million barrels)*	**2.57**	2.29	0.28	12.2%
Net production of crude oil *(million barrels)*	**1.16**	1.14	0.02	1.8%
Net sales of crude oil *(million barrels)*	**1.16**	1.13	0.03	2.7%
Average daily net crude oil production *(barrels)*	**6,416**	6,293	123	2.0%
Wells drilled during the period *(Gross)*	**43**	62	(19)	(30.6%)
Revenue *(RMB'000)*	**710,700**	417,643	293,057	70.2%
Profit/(loss) for the period *(RMB'000)*	**2,456,898**	(304,670)	2,761,568	N/A
Basic earnings/(loss) per share *(RMB per share)*	**0.75**	(0.09)	0.84	N/A
EBITDA *(RMB'000)*	**3,064,393**	248,648	2,815,745	1,132.4%
Adjusted EBITDA *(RMB'000)*	**460,218**	270,031	190,187	70.4%

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2022	2021
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	*4*	**710,700**	417,643
Depreciation, depletion and amortisation		**(188,057)**	(126,644)
Taxes other than income taxes	*5*	**(72,928)**	(3,974)
Employee benefit expenses		**(48,613)**	(51,324)
Purchases, services and other direct costs		**(131,258)**	(100,782)
Impairment losses on financial assets		**–**	(15,666)
Gains from the Debt Restructuring Plans	*6*	**2,556,615**	–
Other gains, net	*7*	**49,877**	2,751
Interest and other income		**36**	15,682
Finance costs		**(349,867)**	(397,714)
Profit/(loss) before income tax		**2,526,505**	(260,028)
Income tax expense	*8*	**(69,607)**	(44,642)
Profit/(loss) attributable to owners of the Company for the period		**2,456,898**	(304,670)
Earnings/(loss) per share for profit/(loss) attributable to ordinary equity holders of the Company for the period (expressed in RMB per share)			
— Basic	*9*	**0.75**	(0.09)
— Diluted	*9*	**0.74**	(0.09)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other comprehensive (losses)/income:		
Items that may be reclassified to profit or loss		
Foreign currency translation differences	**(58,980)**	30,949
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	**–**	4,707
Foreign currency translation differences	**(69,410)**	21,046
Other comprehensive (losses)/income for the period, net of tax	**(128,390)**	56,702
Total comprehensive income/(losses) attributable to the owners of the Company for the period	**2,328,508**	(247,968)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at June 30, 2022** **RMB'000** **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**1,595,724**	1,573,534
Intangible assets		**48,143**	54,121
Right-of-use assets		**8,285**	6,215
Financial assets at fair value through other comprehensive income		**16,314**	15,498
Prepayments, deposits and other receivables		**1,415**	1,847
Restricted cash		**51,078**	17,831
		1,720,959	1,669,046
Current assets			
Inventories		**25,796**	19,466
Prepayments, deposits and other receivables		**58,998**	40,439
Trade receivables	*11*	**146,294**	85,132
Restricted cash		**4,530**	63,761
Cash and cash equivalents		**107,929**	36,495
		343,547	245,293
Assets of disposal group classified as held for sale	*14*	**368,803**	350,356
		712,350	595,649
Total assets		**2,433,309**	2,264,695
Equity			
Equity attributable to owners of the Company			
Share capital		**1,101,249**	1,101,249
Other reserves		**242,663**	371,053
Accumulated losses		**(2,988,109)**	(5,445,007)
Total shareholders' deficit		**(1,644,197)**	(3,972,705)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	**As at June 30, 2022** ***RMB'000*** **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Borrowings	*13*	**2,321,454**	–
Lease liabilities		**3,249**	1,604
Deferred income tax liabilities		**257,663**	282,399
Trade and notes payables	*12*	**163,295**	120,432
Provisions, accruals and other liabilities		**201,451**	110,660
		2,947,112	515,095
Current liabilities			
Trade and notes payables	*12*	**316,073**	374,070
Provisions, accruals and other liabilities		**199,891**	1,724,765
Lease liabilities		**5,467**	4,822
Current income tax liabilities		**57,130**	19,320
Borrowings	*13*	**549,881**	3,597,474
		1,128,442	5,720,451
Liabilities of disposal group classified as held for sale	*14*	**1,952**	1,854
		1,130,394	5,722,305
Total liabilities		**4,077,506**	6,237,400
Total shareholders' deficit and liabilities		**2,433,309**	2,264,695

1. GENERAL INFORMATION

MIE Holdings Corporation (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 and its subsidiaries (together, the "Group") are principally engaged in the exploration, development, production and sale of crude oil in the People's Republic of China (the "PRC") under production sharing contracts (the "PSCs").

On January 20, 2022, the Group entered into an agreement with Hammer Capital Asia Limited, an independent party, and also one of the lenders to the Group, for the sale (the "Disposal") of the Group's 40% equity interest in Palaeontol B.V. ("PBV") which owns the entire equity interest in Emir-Oil LLP, a company registered in Kazakhstan and primarily engaged in the exploration, development, production and sale of petroleum and other petroleum products in Kazakhstan, and certain receivables related to this associate. Further information about the Disposal is set out in Note 14. On June 24, 2022, an extraordinary general meeting was held by the Company and the Disposal set out in the agreement has been voted and approved by the shareholders of the Company.

On March 30, 2022, the Group completed the Debt Restructuring Plans, the details of which are set out in Note 2.1 and Note 13.

As at June 30, 2022, the Group is indirectly controlled by Far East Energy Limited ("FEEL"), which owns 44.95% of the Company's shares and is also the ultimate holding company of the Group. FEEL is a limited liability company incorporated in Hong Kong and its ultimate beneficial owners are Mr. Zhang Ruilin, Mr. Zhao Jiangwei and Ms. Zhao Jiangbo (Mr. Zhang Ruilin's spouse). The controlling shareholder of the ultimate holding company is Mr. Zhang Ruilin.

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

The condensed interim consolidated financial information is presented in Chinese Renminbi ("RMB") unless otherwise stated. The condensed interim consolidated financial information has been approved for issue by the board of directors of the Company (the "Board of Directors") on August 23, 2022.

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, 2022 has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting".

The condensed interim consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended December 31, 2021 and any public announcements made by the Company during the interim reporting period.

2.1 Going concern

In recent years, the Group's performance was significantly affected by the high borrowing costs associated with general funding and re-financing activities and the volatility of the price of crude oil. As at June 30, 2022, the Group had a shareholders' deficit of RMB1,644.2 million. As at the same date, the Group had total borrowings of RMB2,871.3 million and cash and cash equivalents of RMB107.9 million.

On May 11, 2020, the Group did not pay the interest accrued on the senior notes listed on the Singapore Stock Exchange Securities Trading Limited with a contractual due date on April 12, 2022 (the "2022 Senior Notes"), that was due on April 12, 2020, which resulted in an event of default by the Group after the expiry of the 30-day grace period. This event of default also triggered the cross-default of all the secured borrowings of the Group (the "Cross-Defaulted Borrowings"). In addition, the Cross-Defaulted Borrowings were also subsequently defaulted on a stand-alone basis because of non-repayment at their respective due dates.

The Group had actively negotiated with all lenders of the Cross-Defaulted Borrowings (the "Lenders") and certain key noteholders of the 2022 Senior Notes (the "Key Noteholders") to undertake a debt restructuring (the "Debt Restructuring Plans") of the Cross-Defaulted Borrowings and the 2022 Senior Notes.

The Debt Restructuring Plans became effective on March 30, 2022 after completion of the relevant legal procedures, including the signing of relevant agreements revising the terms of the Cross-Defaulted Borrowings and the 2022 Senior Notes (the "New Finance Documents") in accordance with the terms of a restructuring support agreement. The restructuring support agreement was entered into with the Lenders and Key Noteholders on October 28, 2021 and was publicly announced.

The 2022 Senior Notes was cancelled and the new notes with a contractual due date on December 31, 2024 (the "2024 Senior Notes") was issued and listed on the Singapore Exchange Securities Trading Limited on March 31, 2022.

Based on the revised terms of the New Finance Documents, the Group is required to repay the new secured borrowings with the principal amount of RMB2,135.8 million and the 2024 Senior Notes with the principal amount of US$272.9 million (equivalent to approximately RMB1,734.5 million) and then the interest due, where applicable, semi-annually based on available cash balances as defined in the New Finance Documents. All the principals and interests of the new secured borrowings and 2024 Senior Notes outstanding as at December 31, 2024 will become due immediately unless the Group is able to successfully extend the termination date of the Daan product sharing contract (the "Daan PSC") with China National Petroleum Corporation ("CNPC") from December 31, 2024 to February 29, 2028.

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 has taken the following measures to mitigate the liquidity pressure and to improve its cash flows:

(a) The Group will continue drilling new wells to fulfill the requirements for a minimum number of new wells to be drilled in the Daan oilfield as agreed with CNPC within a period of three years from June 2020 in order to successfully extend the expiry date of the Daan PSC with CNPC from December 31, 2024 to February 29, 2028. As a result, management expects the Group will be able to receive approval from CNPC by the end of 2022 and to improve its operation cash flows through increased production, based on the projected level of crude oil prices in the cashflow projection.

(b) On January 20, 2022, the Group announced that it has entered into a disposal agreement (the "Disposal Agreement") with a third party (the "Purchaser"), which is one of the Lenders of the Cross-Defaulted Borrowings, to dispose of the Group's 40% equity interest in an associate, PBV, together with certain related receivables (the "Disposal Assets Group"). The Disposal Assets Group had been pledged as collateral for the borrowing due to the Purchaser by the Group. The consideration of US$55.0 million for this Disposal will be netted off against the outstanding principal amount due by the Group to the Purchaser in two stages. The stage 1 consideration of the Disposal Agreement consisted of the other receivables due from the other shareholders of PBV, while the stage 2 consideration consisted of the equity interest in PBV and shareholder loans due from PBV.

    On July 8, 2022, the stage 1 conditions have been satisfied and hence stage 1 completion has taken place on that date. The Group will continue to work with the Purchaser towards stage 2 completion.

(c) The Group will also continue to seek other alternative financing to finance the settlement of its existing financial obligations and future operating and capital expenditure.

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, 2022. 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 June 30, 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed interim consolidated financial information on a going concern basis.

Notwithstanding the above, material 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 will depend upon the following:

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

(ii) successfully receiving the required approval from the relevant governmental or regulatory bodies for the completion of the Disposal Agreement; and

(iii) the Group's ability to generate operating cashflows and to obtain additional sources of financing, other than those mentioned above, to finance the Group's oil exploration and production business, including capital expenditure 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 condensed interim consolidated financial information.

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, 2021.

Amended standards adopted by the Group

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

- Covid-19-related Rent Concessions — Amendments to IFRS 16

- Reference to the Conceptual Framework — Amendments to IFRS 3

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

4. SEGMENT INFORMATION

(a) Description of segment

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

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

(b) Revenue from contracts with customers

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Entity-wide information		
Analysis of revenue by category		
Timing of revenue recognition		
At a point in time		
— Sales of crude oil and gas	**710,570**	417,630
— Provision of services and others	**130**	13
	710,700	417,643

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

For the six months ended June 30, 2022, total revenue from crude oil and gas sales in the PRC are derived solely from PetroChina Company Limited (the "PetroChina"). Crude oil and gas sales revenues from PetroChina accounted for 99.98% of the Group's total revenue for the period (Six months ended June 30, 2021: 99.99%).

As at June 30, 2022, the non-current assets of the Group are mainly located in the PRC.

5. TAXES OTHER THAN INCOME TAXES

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC:		
Petroleum special profit charge *(Note (a))*	**70,588**	–
Urban construction tax and education surcharge	**2,318**	2,203
Others	**22**	47
	72,928	2,250
Corporate and others:		
Withholding tax and others	**–**	1,724
	72,928	3,974

Note:

(a) According to the relevant tax rules and regulations, the proceeds from sale of crude oil in the mainland China derived by the Group is subject to petroleum special profit charge when the selling price is above US$65/barrel (Six months ended June 30, 2021: Nil).

6. GAINS FROM THE DEBT RESTRUCTURING PLANS

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gains from the Debt Restructuring Plans *(Note)*	**2,556,615**	–

Note:

As mentioned in Note 2.1 and Note 13, the Group completed the Debt Restructuring Plans on March 30, 2022. The management of the Group considered that the terms of the New Finance Documents are substantially different from those of the Cross-Defaulted Borrowings and the 2022 Senior Notes. Accordingly, such modification of terms is accounted for as an extinguishment of the Cross-Defaulted Borrowings and the 2022 Senior Notes and recognition of new financial liabilities. The new secured borrowings and the 2024 Senior Notes should be measured at fair value as at the date of extinguishment. The differences between the outstanding principals and interests balance of the Cross-Defaulted Borrowings and the 2022 Senior Notes and the fair value of the new secured borrowings and 2024 Senior Notes are recognised in profit and loss for the period as gains from the Debt Restructuring Plans.

7. OTHER GAINS, NET

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Write-off of the withholding tax payables	**60,122**	–
Net change in fair value of the derivative component of the 2024 Senior Notes and secured borrowings	**(12,562)**	–
Others	**2,317**	2,751
	49,877	2,751

8. INCOME TAX EXPENSE

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**94,343**	6,151
Deferred income tax	**(24,736)**	38,491
	69,607	44,642

Note:

The Company and its subsidiaries incorporated under respective jurisdiction of the Cayman Islands and the British Virgin Islands are exempted from payment of local income tax.

No provision for Hong Kong profits tax has been provided as the Group did not derive any assessable profits in Hong Kong during the period.

According to the PRC Corporate Income Tax Law promulgated by the PRC government, the tax rate applicable to the Group's subsidiary established in the PRC and the PRC branches of the Group's subsidiaries is 25%. Corporate income tax in the PRC is calculated based on the estimated taxable profit of the Company or branches established in the PRC.

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.

9. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(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,	
	2022	2021
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attribute to owners of the Company used to determine basic earnings/(loss) per share *(RMB'000)*	**2,456,898**	(304,670)
Weighted average number of ordinary shares *(Thousands)*	**3,269,421**	3,269,421
Basic earnings/(loss) per share *(RMB)*	**0.75**	(0.09)

(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 market share price of the Company's shares for this period) 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, 2022 (Unaudited)
Profit for the period attribute to owners of the Company used to determine basic earnings per share *(RMB'000)*	**2,456,898**
Weighted average number of ordinary shares *(Thousands)*	**3,269,421**
Adjustments for:	
— Share options *(Thousands)*	**36,825**
Weighted average number of diluted potential ordinary shares for diluted earnings per share *(Thousands)*	**3,306,246**
Diluted earnings per share *(RMB)*	**0.74**

The Group incurred a loss for the six months ended June 30, 2021. The effect of share options was anti-dilutive and is excluded from the calculation of the diluted loss per share. The diluted loss per share is calculated in the same way with the basic loss per share.

10. DIVIDENDS

The Board of Directors did not recommend payment of a dividend for the six months ended June 30, 2022 (Six months ended June 30, 2021: Nil).

11. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	As at June 30, 2022 *RMB'000* (Unaudited)	As at December 31, 2021 *RMB'000* (Audited)
Up to 30 days	**144,249**	83,767
Over 180 days	**2,045**	1,365
	146,294	85,132

Note:

(a) The Group grants credit terms between 30 days to 180 days.

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

(c) The Group does not hold any collateral as security.

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

(e) Trade receivables under the Daan PSC held by Gobi Energy Limited ("Gobi") are pledged as a security for other loans (Note 13(b)).

12. TRADE AND NOTES PAYABLES

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

	As at June 30, 2022 *RMB'000* **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Up to 6 months	**206,275**	367,574
6 months–1 year	**219,714**	58,493
1–2 years	**21,506**	19,741
2–3 years	**15,878**	24,425
Over 3 years	**15,995**	24,269
	479,368	494,502

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

13. BORROWINGS

	As at June 30, 2022 *RMB'000* **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Liability component		
— Secured borrowings *(Note (a), (b))*	**1,867,110**	2,013,788
— Senior Notes *(Note (a), (c))*	**927,979**	1,583,686
— Interest payable at coupon rates	**42,246**	–
	2,837,335	3,597,474
Derivative component		
— Secured borrowings *(Note (b))*	**29,349**	–
— Senior Notes *(Note (c))*	**4,651**	–
	34,000	–
Less: current portion	**(549,881)**	(3,597,474)
Non-current portion	**2,321,454**	–

Note:

(a) Default, cross-default and the Debt Restructuring Plans

On May 11, 2020, the Group did not pay the interest accrued on the 2022 Senior Notes that was due on April 12, 2020, which resulted in an event of default by the Group after the expiry of the 30-day grace period. This event of default also triggered the cross-default of the Cross-Defaulted Borrowings of the Group. As a result, the entire balance of the principal and related outstanding interest due on the 2022 Senior Notes and the Cross-Defaulted Borrowings were classified as current liabilities from that date.

As further described in Note 2.1, the Debt Restructuring Plans became effective on March 30, 2022. The 2024 Senior Notes was issued in exchange for the 2022 Senior Notes. The revised terms under the Debt Restructuring Plans are set out below:

- Capitalisation of the unpaid accrued interest on the Cross-Defaulted Borrowings and the 2022 Senior Notes as at June 30, 2020 into the respective principal amounts outstanding;

- Waiver of all accrued default interest and the unpaid interest on the Cross-Defaulted Borrowings and the 2022 Senior Notes from July 1, 2020 to the effective date of the Debt Restructuring Plans;

- Interest rates on the new secured borrowings have been revised to either 5% or 11% per annum, depending on the agreement with the respective lender, while the 2024 Senior Notes bear no interest for the remaining term. The interests on the new secured borrowings will start to be paid once the respective principal amounts have been fully repaid;

- Repayments of principal amounts and then interest due, where applicable, on the new secured borrowings and the 2024 Senior Notes are revised to semi-annually. The minimum amounts settled semi-annually depending on the available cash balances as defined in the New Finance Documents; and

- All principal amounts and interest of the new secured borrowings and the 2024 Senior Notes outstanding as at December 31, 2024 will become due immediately upon that date (the "Repayment Date"), unless the Group is able to successfully extend the termination date of the Daan PSC with CNPC to February 29, 2028. If the term of the Daan PSC is extended beyond March 1, 2028, the Repayment Date will be further extended to the last day of the extended term of the Daan PSC provided no event of default has occurred and is continuing on February 29, 2028.

(b) Secured borrowings

With the effectiveness of the Debt Restructuring Plans on March 30, 2022, the Group recognised the new secured borrowings with a principal amount of RMB2,135.8 million and with a fair value of RMB1,852.0 million. Details of the Cross-defaulted Borrowings on May 11, 2020 and the revised terms pursuant to the Debt Restructuring Plans effective on March 30, 2022 are set out in Note (a) above.

The new secured borrowings have been accounted for as a hybrid financial instrument containing a derivative component and a host liability component which was initially recognised at its fair value of RMB1,836.2 million and are accounted on amortised cost subsequently. The derivative component represents the early prepayment feature and the extension feature, which were not closely related to the host liability component. The derivative component was initially recognized at its fair value of RMB15.8 million.

On June 30, 2022, the fair value of the derivative component of the new secured borrowings was RMB29.3 million.

The fair value of the new secured borrowings was valued by the Directors with the reference to a valuation report issued by an external valuer based on the discounted cash flow method.

The securities for the secured borrowings were set out below:

- Pledge over the Group's interest under the Daan PSC held by Gobi and MIE International Resources Limited ("MIE I"), a subsidiary of the Group;
- Pledge over the Group's account receivable under the Daan PSC held by Gobi;
- Pledge over the Group's shareholder's loan to an associate;
- Pledge over the Group's other receivable from a third party;
- Share charge over the entire issued share capital of Gobi, MIE I and certain other subsidiaries of the Group;
- Account charge over three bank accounts of the Group;
- Share charge over all issued share capital in an associate held by the Group; and
- Personal guarantees provided by Mr. Zhang Ruilin, Ms. Zhao Jiangbo and Mr. Zhao Jiangwei.

(c) Senior Notes

	Coupon rate	**Due date**	**As at June 30, 2022** *RMB'000* **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
2022 Senior Notes	13.75%	April 12, 2022	**–**	1,583,686
2024 Senior Notes	–	December 31, 2024	**932,630**	–

The 2022 Senior Notes was issued in April 2019 in the principal amount of US$248.4 million bearing annual interest at 13.75% due on April 12, 2022. As at March 30, 2022, the Group cancelled the 2022 Senior Notes and issued the 2024 Senior Notes with a principal amount of US$272.9 million (approximately RMB1,734.5 million). Details of default of 2022 Senior Notes on May 11, 2020 and the revised terms pursuant to the Debt Restructuring Plans effective on March 30, 2022 are set out in Note (a) above.

The 2024 Senior Notes has been listed on the Singapore Exchange Securities Trading Limited since March 31, 2022.

The 2024 Senior Notes has been accounted for as a hybrid financial instrument containing a derivative component and a host liability component which was initially recognised at its fair value of RMB855.1 million and are accounted on amortised cost subsequently. The derivative component represents the early prepayment feature and the extension feature, which were not closely related to the host liability component. The derivative component was initially recognized at its fair value of RMB4.1 million.

As at June 30, 2022, the fair value of the derivative component of the 2024 Senior Notes was RMB4.7 million.

The fair value of the 2024 Senior Notes was valued by the Directors with the reference to a valuation report issued by an external valuer based on the discounted cash flow method.

14. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On January 20, 2022, the Group entered into the Disposal Agreement with the Purchaser, Hammer Capital Asia Limited (an independent party and also one of the lenders to the Group), for the sale of the Group's 40% equity interest in PBV which owns the entire equity interest in Emir-Oil LLP, a company registered in Kazakhstan and primarily engaged in the exploration, development, production and sale of petroleum and other petroleum products in Kazakhstan, and certain related receivables. The Disposal Assets Group had been pledged as collateral for the borrowing due to the Purchaser by the Group. The consideration of US$55.0 million for the Disposal will be netted off against portion of the outstanding principal amount.

The completion of this Disposal is subject to the fulfilment of certain conditions, including but not limited to, the approval of the relevant governmental or regulatory bodies.

At the date of initial classification as held for sale, the carrying amount of the assets and liabilities relating to the Disposal Assets Group was lower than the fair value less cost to sell as at that date. Accordingly, no loss was recognised due to re-measurement at the initial classification.

The following assets and liabilities had been classified as "disposal group classified as held for sale" as at June 30, 2022:

(a) Assets of disposal group classified as held for sale

	As at June 30, 2022 *RMB'000* **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Investment in associate *(Note (i))*	**–**	–
Prepayments, deposits and other receivables *(Note (ii))*		
Amounts due from an associate	**933,810**	887,101
Less: loss allowance	**(565,007)**	(536,745)
	368,803	350,356
	368,803	350,356

(i) As at June 30, 2022, the investment of 40% equity interest in PBV was classified as "assets of disposal group classified as held for sale" with nil carrying value.

(ii) As at June 30, 2022, the shareholder loans due from PBV and other receivables from the other shareholders of PBV were classified as assets of disposal group classified as held for sale with a carrying value of RMB368.8 million.

(b) Liabilities of disposal group classified as held for sale

	As at June 30, 2022 *RMB'000* **(Unaudited)**	As at December 31, 2021 *RMB'000* (Audited)
Provisions, accruals and other liabilities	**1,952**	1,854

15. SUBSEQUENT EVENT

Significant events occurred subsequent to June 30, 2022 and up to the date of approval of these financial statements are set out below:

On July 8, 2022, the stage 1 of the Disposal was completed. The consideration of stage 1 for the Disposal with amount of RMB101.4 million (approximately US$15.1 million) had been netted off against part of the outstanding amount, on a dollar for dollar basis, due by the Group to the Purchaser under the Disposal Agreement.

BUSINESS REVIEW AND PROSPECTS

During the first half of 2022, the conflict between Russia and Ukraine broke out, Western sanctions against Russia escalated, OPEC+ production curbs ended, China tightened COVID-19 related restrictions among growing outbreaks, the US federal reserve aggressively raised interest rates and the Iranian nuclear negotiations became uncertain. Among factors such as intensified geopolitical risks and repeated COVID-19 outbreaks, sanctions against Russia have triggered a backlash, the European Union was facing an energy crisis and the world oil supply and demand dynamics had changed. Overall, oil prices continued to run high and fluctuated widely in the first half of the year. Seizing the opportunity of rising oil prices, the Group increased capital expenditures in drilling new wells, implemented measures in old wells to increase oil production, and strived to increase oilfield production capacity. Meanwhile, the Group successfully completed its debt restructuring on March 30, 2022, which is another positive step for the Group to further improve its financial position.

During the six months ended June 30, 2022 ("1H2022"), the Group's oil and gas production increased by 12.2% to about 2.57 million barrels oil equivalent ("BOE", where 1 BOE = 6,000 standard cubic feet natural gas) compared with the amount for the six months ended June 30, 2021 ("1H2021") and net oil and gas production increased by 1.8% to about 1.16 million BOE compared with the amount in 1H2021. During 1H2022, net sales of crude oil increased by 2.7% to approximately 1.16 million barrels from that of 1H2021.

In 1H2022, the average realized crude oil price of the Group increased by 65.6% to US$94.75 per barrel as compared with that of 1H2021. In 1H2022, the revenue of the Group, which was derived entirely from China, increased by 70.2% to RMB710.7 million as compared with 1H2021. In 1H2022, profit for the period increased to RMB2,456.9 million as compared to a loss of RMB304.7 million in 1H2021 and the basic earnings per share was RMB0.75 in 1H2022.

The EBITDA of the Group in 1H2022 increased by RMB2,815.8 million to RMB3,064.4 million from RMB248.6 million in 1H2021 and the adjusted EBITDA increased by RMB190.2 million to RMB460.2 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, 2022:

(RMB millions)	Exploration expenditures	Development expenditures	Production/ operating expenditures
China Onshore Projects (Daan, Moliqing)	–	206	105
Total	–	206	105

The Group incurred development expenditures of RMB206 million and production expenditures of RMB105 million in the PRC during the six months ended June 30, 2022.

China Operations (Daan, Moliqing)

Our projects in northeastern China maintained a relatively stable production in 1H2022. As at June 30, 2022, the Group held a participating interest of 100% and 10% in the Daan PSC and the Moliqing PSC respectively. The total gross operated production for Daan and Moliqing for 1H2022 increased by 12.2% from 2.29 million barrels in 1H2021 to 2.57 million barrels. Total net production allocated to the Group increased by 1.8% from 1.14 million barrels in 1H2021 to 1.16 million barrels. The gross operated production in 1H2022 increased by 12.5% to 14,211 barrels per day ("BOPD") as compared to 1H2021, and net production allocated to the Group increased by 2.0% to 6,416 BOPD. The average oil price of Daan and Moliqing increased by 65.6% from US$57.20 per barrel in 1H2021 to US$94.75 per barrel in 1H2022. At the same time, we increased well stimulation of old wells of Daan oilfield in a timely manner. For 1H2022, the lifting costs for Daan increased by US$0.20/barrel, or 1.6%, from US$12.74/barrel for 1H2021 to US$12.94/barrel. In response to the increase in oil prices in 1H2022, the Group endeavoured to increase production capacity and drilled 43 new wells in the first half of the year.

In accordance with the supplemental agreement to the PSC relating to the Daan oilfield ("Supplemental PSC") signed between the Group and CNPC on June 4, 2020, the Group shall invest in and drill a minimum of 268 wells within three years after the effective date of the Supplemental PSC. By the end of 1H2022, the Group has drilled 43 new wells for the period, and a total of 226 wells since the effective date of the Supplemental PSC. The Group will continue to drill and invest in Daan, so as to generate steady operating cash flow and to meet the requirements under the Supplemental PSC.

Kazakhstan Operations (Emir-Oil)

The Group holds an indirect 40% interest in Emir-Oil in Kazakhstan. 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 1H2022, Emir-Oil had a total of 27 producing wells. The daily production of crude oil attributable to the Group increased by 26.0% from 612 BOPD in 1H2021 to 771 BOPD in 1H2022.

On 20 January 2022, the Company entered into a Disposal Agreement with the Purchaser, pursuant to which (among other things) the Company has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to acquire 40% interest in PBV. The consideration to be paid by the Purchaser to the Company (on behalf of the Company and its subsidiaries) shall be US$55,000,000, which shall be netted off against the outstanding amount due by the Company to the Purchaser under the loan agreement at completion on a dollar-for-dollar basis.

On July 8, 2022, stage 1 of the Disposal was completed. The stage 1 consideration amounting to RMB101.4 million (approximately US$15.1 million) had been netted off against part of the outstanding amount, on a dollar for dollar basis, due by the Group to the Purchaser under the Disposal Agreement.

Successful Completion of Debt Restructuring Plans

On October 28, 2021, the Group entered into a restructuring support agreement ("RSA") with certain holders of 2022 Senior Notes and creditors of existing loans to support the Debt Restructuring Plans of the Group. The Debt Restructuring Plans comprise restructuring of then existing Notes and loans, inter-conditional upon the effectiveness of each individual restructuring. On March 30, 2022, the Group announced that the Debt Restructuring Plans successfully completed. The 2022 Senior Notes had been cancelled and the new notes with a contractual due date of December 31, 2024 had been issued. The existing loan agreements had also been amended and restated in the form of new loan agreements on March 30, 2022.

As a result of the implementation of Debt Restructuring Plans, the financial position of the Group had significantly improved and the impact had been reflected in the financial statements for the six months ended June 30, 2022.

OUTLOOK FOR 2022

At present, the global political and economic situation remains unclear. The Russian war in Ukraine shows no sign of ending in the short term, the export of crude oil pipelines in Caspian Sea of Kazakhstan is restricted and the sanctions imposed by Western countries on Russia have escalated, denying global supply of much needed oil, which may lead to the increase in crude oil prices in the second half of the year. On the other hand, the fear of recession due to high inflation and the substantial interest rate hikes undertaken by world's major economies, led by the United States, may cause oil prices to decline. Therefore, oil prices are expected to remain highly volatile with more turbulent price actions in the second half of the year.

Under the challenging market environment, the Group will continue to implement the drilling program for 268 new wells required by the Supplemental PSC. In addition, the Group will carry out well stimulation and other measures to enhance production, optimize and adjust the waterflood injection in the fields to ensure stable and high yield of the oilfields. The Group will explore and test with new technologies such as oilfield interwell tracer monitoring technology and ZPX intelligent dispensing system. On the cost side, under high inflation and high oil prices, the Group will continue to pay close attention to budget control and dedicate efforts to the refined management of Daan Oilfield, further enhancing the asset value of the oilfield, and improving the Group's overall risk resistance and profitability.

REVIEW OF FINANCIAL RESULTS

Revenue

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

The Group's revenue generated from sales of oil and gas was contributed entirely by our China oil fields, which increased by RMB293.0 million, or 70.2%, from RMB417.6 million for the six months ended June 30, 2021 to RMB710.6 million for the six months ended June 30, 2022. Revenue increase was primarily due to the higher realized oil price, from US$57.20 per barrel for the six months ended June 30, 2021 to US$94.75 per barrel for the six months ended June 30, 2022, and the higher sales volume. Crude oil sales volume increased by 0.03 million barrels, or 2.7%, from 1.13 million barrels for the six months ended June 30, 2021 to 1.16 million barrels for the six months ended June 30, 2022.

The Group's revenue generated from rendering of services was RMB0.13 million for the six months ended June 30, 2022.

Operating expenses

Depreciation, depletion and amortisation

The Group's depreciation, depletion and amortisation increased by RMB61.5 million, or 48.6%, from RMB126.6 million for the six months ended June 30, 2021 to RMB188.1 million for the six months ended June 30, 2022. The increase in depreciation, depletion and amortisation was mainly due to the increase of net book value caused by the investment in the second half of 2021 and the first half of 2022 as well as the reversal of impairment loss at year end of 2021.

Taxes other than income taxes

The Group's taxes other than income taxes increased by RMB68.9 million, or 1,722.5%, from RMB4.0 million for the six months ended June 30, 2021 to RMB72.9 million for the six months ended June 30, 2022. The following table summarizes the Group's taxes other than income taxes for the six months ended June 30, 2022 and 2021, respectively:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC		
Petroleum special profit charge	**70,588**	–
Urban construction tax and education surcharge	**2,318**	2,203
Others	**22**	47
	72,928	2,250
Headquarter and others		
Withholding tax and others	**–**	1,724
	72,928	3,974

PRC

With effect from January 1, 2015, the threshold price for the petroleum special profit charge was revised from US$55 per barrel to US$65 per barrel. Petroleum special profit charge of RMB70.6 million was incurred due to the crude oil price having exceeded US$65/barrel for the six months ended June 30, 2022. During the six months ended June 30, 2021, the realized oil price did not reach US$65 per barrel at any point in time and special oil income levy was not applicable.

Employee benefit expenses

The Group's employee benefit expenses decreased by RMB2.7 million, or 5.3%, from RMB51.3 million for the six months ended June 30, 2021 to RMB48.6 million for the six months ended June 30, 2022. The decrease in employee benefit expenses was primarily due to the share-based compensation to employees of approximately RMB4.0 million incurred in the first half year of 2021, and nil incurrence in the first half year of 2022.

Purchases, services and other direct costs

The Group's purchases, services and other direct costs increased by RMB30.5 million, or 30.3%, from RMB100.8 million for the six months ended June 30, 2021 to RMB131.3 million for the six months ended June 30, 2022. The increase was primarily due to: (i) expenses related to Debt Restructuring Plans having increased by approximately RMB23.2 million; and (ii) rise in electricity expenses by approximately RMB4.5 million due to the increase in unit price and number of operating wells.

Gains from Debt Restructuring Plans

The Group had gains from Debt Restructuring Plans of RMB2,556.6 million for the six months ended June 30, 2022. The gains from Debt Restructuring Plans were mainly due to the differences between the outstanding principals and interests balance of the Cross-Defaulted Borrowings and the 2022 Senior Notes and the fair value of the new secured borrowings and the 2024 Senior Notes. The gains contained accrued default interest and certain ordinary interests waived on the restructuring effective date.

Other gains, net

The Group had net other gains of RMB49.9 million for the six months ended June 30, 2022, compared to net other gains of RMB2.8 million for the six months ended June 30, 2021. The increase in other gains was mainly due to the write-off of the withholding tax payables related to interest charged on intercompany loans.

Finance costs, net

The Group's net finance costs decreased by RMB32.2 million, or 8.4%, from RMB382.0 million for the six months ended June 30, 2021 to RMB349.8 million for the six months ended June 30, 2022. The decrease was mainly due to the lower interest rate of the debts after the restructuring effective date.

Profit/(loss) before income tax

The Group's profit before income tax was RMB2,526.5 million for the six months ended June 30, 2022, compared to the loss before income tax of RMB260.0 million for the six months ended June 30, 2021, representing an increase of RMB2,786.5 million. The increase was primarily due to the gains from the Debt Restructuring Plans of RMB2,556.6 million for the six months ended June 30, 2022. The gains from Debt Restructuring Plans were mainly due to the differences between the outstanding principals and interests balance of the Cross-Defaulted Borrowings and the 2022 Senior Notes and the fair value of the new secured borrowings and the 2024 Senior Notes. The gains contained accrued default interest and certain ordinary interests waived on the restructuring effective date.

Income tax expense

The Group recorded income tax expense of RMB69.6 million for the six months ended June 30, 2022, compared to income tax expense of RMB44.6 million for the six months ended June 30, 2021, representing an increase of RMB25.0 million, or 56.1%. The effective tax rate for the six months ended June 30, 2022 was 2.8%, compared to the effective tax rate for the six months period ended June 30, 2021 of negative 17.2%.

Profit/(loss) for the period

The Group's profit for the six months ended June 30, 2022 was RMB2,456.9 million, compared to the loss of RMB304.7 million for the six months ended June 30, 2021, representing an increase of RMB2,761.6 million. This increase was primarily due to the cumulative effects of the factors mentioned above in this announcement.

EBITDA AND ADJUSTED EBITDA

We have provided a reconciliation of EBITDA and adjusted EBITDA to profit/(loss) before income tax, with our most directly comparable financial performance calculated and presented in accordance with IFRS. EBITDA refers to earnings before income tax, interest and other income, finance costs and depreciation, depletion and amortisation. 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, impairment charges, withholding tax related to interest income on the shareholders' loans to an associate 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, interest and other 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 to profit/(loss) before income tax for each period indicated.

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss) before income tax	**2,526,505**	(260,028)
Interest and other income	**(36)**	(15,682)
Finance costs	**349,867**	397,714
Depreciation, depletion and amortisation	**188,057**	126,644
EBITDA	**3,064,393**	248,648
Share-based payments to employees	**–**	3,993
Impairment losses on financial assets	**–**	15,666
Gains from the Debt Restructuring Plans	**(2,556,615)**	–
Net change in fair value of the derivative component of the 2024 Senior Notes and secured borrowings	**12,562**	–
Others	**(60,122)**	1,724
Adjusted EBITDA	**460,218**	270,031

The Group's EBITDA increased by approximately RMB2,815.8 million, from approximately RMB248.6 million for the six months ended June 30, 2021 to approximately RMB3,064.4 million for the six months ended June 30, 2022. The increase was mainly due to the gains from Debt Restructuring Plans of RMB2,556.6 million for the six months ended June 30, 2022. The gains from Debt Restructuring Plans were mainly due to the differences between the outstanding principals and interests balance of the Cross-Defaulted Borrowings and the 2022 Senior Notes and the fair value of the new secured borrowings and the 2024 Senior Notes. The gains contained accrued default interest and certain ordinary interests waived on the restructuring effective date.

The Group's adjusted EBITDA increased by approximately RMB190.2 million, or 70.4%, from approximately RMB270.0 million for the six months ended June 30, 2021 to approximately RMB460.2 million for the six months ended June 30, 2022. The increase was mainly due to the increase of the realized oil price.

The Group's EBITDA and adjusted EBITDA by operating segment for the six months ended June 30, 2022 and 2021 are set out below:

	Six months ended June 30, 2022		
	PRC ***RMB'000*** **(Unaudited)**	**Headquarter and others** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Profit before income tax	**572,711**	**1,953,794**	**2,526,505**
Interest and other income	**(36)**	**–**	**(36)**
Finance costs	**138,188**	**211,679**	**349,867**
Depreciation, depletion and amortisation	**186,516**	**1,541**	**188,057**
EBITDA	**897,379**	**2,167,014**	**3,064,393**
Gains from the Debt Restructuring Plans	**(400,789)**	**(2,155,826)**	**(2,556,615)**
Net change in fair value of the derivative component of the 2024 Senior Notes and secured borrowings	**10,565**	**1,997**	**12,562**
Others	**–**	**(60,122)**	**(60,122)**
Adjusted EBITDA	**507,155**	**(46,937)**	**460,218**

	Six months ended June 30, 2021		
	PRC	Headquarter and others	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) before income tax	68,027	(328,055)	(260,028)
Interest and other income	(16)	(15,666)	(15,682)
Finance costs	96,462	301,252	397,714
Depreciation, depletion and amortisation	124,613	2,031	126,644
EBITDA	289,086	(40,438)	248,648
Share-based payments to employees	2,067	1,926	3,993
Provision of impairment losses on financial assets	–	15,666	15,666
Others	–	1,724	1,724
Adjusted EBITDA	291,153	(21,122)	270,031

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary source of cash during the six months ended June 30, 2022 was cash generated from operating activities.

In 1H2022, the Group had net cash generated from operating activities of RMB393.5 million, net cash used in investing activities of RMB213.0 million and net cash used in financing activities of RMB113.3 million, a translation gain for foreign currency exchange of RMB4.3 million, resulting in an increase in cash and cash equivalents of RMB71.4 million compared to the cash balance of RMB36.5 million as at December 31, 2021.

Borrowings

As at June 30, 2022, the Group's borrowings amounting to approximately RMB2,871.3 million, representing a decrease of approximately RMB726.2 million as compared to December 31, 2021. Among the Group's borrowings, borrowings repayable within one year amounted to approximately RMB549.9 million, representing a decrease of RMB3,047.6 million as compared to that of December 31, 2021. 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, is negative 865.0% as at December 31, 2021 and positive 246.9% as at June 30, 2022, respectively.

Our total borrowings to adjusted EBITDA ratio, which is defined as total borrowings divided by adjusted EBITDA decreased from 5.5 as at December 31, 2021 to 3.1 as at June 30, 2022.

Market risk

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 with 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 is 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, 2022, all of the Group's interest under the PSCs in China, certain of the bank accounts and shares of subsidiaries and associates of the Group have been pledged to secured borrowings in the aggregate amount of RMB1,938.7 million.

EMPLOYEES

As at June 30, 2022, the Company had 1,034 employees, all based in China (Mainland PRC and Hong Kong). There have been no material changes to the information disclosed in the Company's annual report for the year ended December 31, 2021 ("2021 Annual Report") 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, 2022.

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The terms of reference were revised on August 24, 2016 and have been made available on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

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

The 2022 Senior Notes had been cancelled and the 2024 Senior Notes were issued by the Company on 30 March 2022. The 2024 Senior Notes had been listed on the Singapore Exchange Securities Trading Limited since March 31, 2022.

Save as disclosed otherwise in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2022.

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, 2022 to June 30, 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended June 30, 2022. 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, 2022 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.

SUPPLEMENTAL INFORMATION TO THE 2021 ANNUAL REPORT

2021 Share Option Scheme

Reference is made to the 2021 Annual Report published on April 29, 2022. Unless otherwise defined, capitalized terms used in the succeeding paragraph have the same meaning as defined in the 2021 Annual Report.

As disclosed in the 2021 Annual Report, the Company granted 142,516,803 share options under the 2021 Scheme on June 30, 2021. Pursuant to Rule 17.07(2) of the Listing Rules, the Company wishes to supplement that the closing price of the Company's shares as at June 29, 2021, being the date immediately before the date on which the said share options were granted was HK$0.044.

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

Hong Kong, 23 August 2022

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei and Mr. Lam Wai Tong; (2) the non-executive directors namely Mr. Guan Hongjun and Ms. Gao Yan; and (3) the independent non-executive directors namely Mr. Mei Jianping, Mr. Liu Ying Shun, Mr. Yeung Yat Chuen, Mr. Guo Yanjun and Mr. Ai Min.