MIE HOLDINGS CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1555)

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

FINANCIAL SUMMARY

	Unaudited Six months ended June 30	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**336,395**	229,425
EBITDA	**(236,766)**	(159,255)
Adjusted EBITDA	**205,067**	87,977
Loss for the period	**(673,546)**	(1,399,205)
— Continuing operations	**(673,546)**	(554,319)
— Discontinued operations	**–**	(844,886)
Basic loss per share (RMB per share)	**(0.240)**	(0.485)
Diluted loss per share (RMB per share)	**(0.240)**	(0.485)

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
Property, plant and equipment	**2,257,932**	2,407,958
Cash and cash equivalents	**1,157,238**	904,961
Total assets	**5,997,103**	5,847,628
Total equity	**25,368**	639,787

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended June 30,	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Continuing operations			
Revenue		**336,395**	229,425
Depreciation, depletion and amortization		**(176,872)**	(157,918)
Taxes other than income taxes	*11*	**(7,935)**	(6,524)
Employee compensation costs		**(60,691)**	(63,406)
Purchases, services and others		**(43,945)**	(48,706)
Distribution expenses		**(8,810)**	(9,073)
General and administrative expenses		**(47,227)**	(28,288)
Impairment		**(3,430)**	(196,154)
Other losses, net	*12*	**(411,984)**	(33,739)
Finance income	*13*	**21,756**	10,895
Finance costs	*13*	**(219,676)**	(181,436)
Share of losses of investments in joint ventures		**–**	(2,790)
Share of profits of investments in associates		**10,861**	–
Loss before income tax		**(611,558)**	(487,714)
Income tax expense	*14*	**(61,988)**	(66,605)
Loss for the period from continuing operations		**(673,546)**	(554,319)
Discontinued operations			
Loss for the period from discontinued operations		**–**	(844,886)
Loss for the period		**(673,546)**	(1,399,205)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Notes	Unaudited Six months ended June 30, **2017** ***RMB'000***	 2016 *RMB'000*
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Currency translation differences		**49,932**	(23,312)
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		**(5,980)**	6,303
Share of other comprehensive income of investments in associates		**2,053**	–
Other comprehensive income/(loss) for the period, net of tax		**46,005**	(17,009)
Total comprehensive loss for the period		**(627,541)**	(1,416,214)
Loss for the period attributable to:			
Owners of the Company		**(673,546)**	(1,399,452)
Non-controlling interests		**–**	247
		(673,546)	(1,399,205)
Loss for the period attributable to owners of the Company arising from:			
Continuing operations		**(673,546)**	(554,566)
Discontinued operations		**–**	(844,886)
		(673,546)	(1,399,452)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(627,541)**	(1,416,461)
Non-controlling interests		**–**	247
		(627,541)	(1,416,214)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

		Unaudited	
		Six months ended June 30,	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Total comprehensive loss attributable to owners of the Company arising from:			
Continuing operations		**(627,541)**	(576,515)
Discontinued operations		**–**	(839,946)
		(627,541)	(1,416,461)
Earning per share for loss attributable to owners of the Company for the period (expressed in RMB per share)			
Basic losses per share			
From continuing operations		**(0.240)**	(0.192)
From discontinued operations		**–**	(0.293)
		(0.240)	(0.485)
Diluted losses per share			
From continuing operations		**(0.240)**	(0.192)
From discontinued operations		**–**	(0.293)
		(0.240)	(0.485)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited June 30, 2017** *RMB'000*	Audited December 31, 2016 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**2,257,932**	2,407,958
Intangible assets		**6,043**	8,849
Investments in associates		**256,476**	246,667
Deferred income tax assets		**2,845**	40,590
Available-for-sale financial assets		**52,231**	63,330
Prepayments, deposits and other receivables	*6*	**1,541,832**	820,224
Restricted cash		**44,877**	–
		4,162,236	3,587,618
Current assets			
Inventories		**24,579**	30,155
Prepayments, deposits and other receivables	*6*	**444,610**	1,131,001
Available-for-sale financial assets		**113,526**	–
Trade receivables	*7*	**94,468**	103,568
Derivative financial instruments		**446**	90,325
Cash and cash equivalents		**1,157,238**	904,961
		1,834,867	2,260,010
Total assets		**5,997,103**	5,847,628
Equity			
Equity attributable to owners of the Company			
Share capital		**1,068,796**	1,068,796
Other reserves		**(84,836)**	(143,963)
Accumulated losses		**(958,565)**	(285,019)
		25,395	639,814
Non-controlling interests		**(27)**	(27)
Total equity		**25,368**	639,787

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	**Unaudited June 30, 2017** *RMB'000*	Audited December 31, 2016 *RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	*10*	**4,129,256**	4,586,555
Deferred income tax liabilities		**90,423**	66,401
Trade and notes payable	*8*	**21,817**	14,161
Provisions, accruals and other liabilities	*9*	**66,177**	60,809
		4,307,673	4,727,926
Current liabilities			
Trade and notes payable	*8*	**47,886**	74,199
Provisions, accruals and other liabilities	*9*	**219,273**	226,999
Current income tax liabilities		**55,145**	54,141
Derivative financial instruments		**–**	20,576
Borrowings	*10*	**1,341,758**	104,000
		1,664,062	479,915
Total liabilities		**5,971,735**	5,207,841
Total equity and liabilities		**5,997,103**	5,847,628

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited Six months ended June 30, 2017 RMB'000	2016 RMB'000
Cash flows from operating activities	*17*		
Continuing operations			
Cash generated from/(used in) operations		**224,377**	(37,750)
Interest paid		**(171,178)**	(189,542)
Income tax paid		**(220)**	(5,524)
Discontinued operations		**–**	9,148
Net cash generated from/ (used in) operating activities		**52,979**	(223,668)
Cash flows from investing activities			
Continuing operations			
Purchases of property, plant and equipment		**(38,449)**	(37,657)
Contribution and loans to/acquisition of investments accounted for using the equity method		**(24,016)**	(56,442)
Net cash flow from investment in available for sale financial assets		**(115,165)**	(3,009)
Net (increase)/decrease in restricted bank deposits		**(44,877)**	412,935
Received from disposal of subsidiaries		**–**	595,768
Interest received		**–**	20,171
Acquisition of non-controlling interests		**–**	(90,537)
Net cash flow from investment in derivative financial instruments		**90,660**	(97,320)
Loans and deposits to third parties		**(104,175)**	–
Deposit for acquisition		**(365,008)**	–
Others		**(41,153)**	–
Discontinued operations		**–**	(118,628)
Net cash (used in)/generated from investing activities		**(642,183)**	625,281

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

		Unaudited	
		Six months ended June 30,	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Cash flows from financing activities			
Continuing operations			
Proceeds from borrowings, net of borrowing costs		**1,162,066**	481,534
Payment to repurchase and cancellation of 2019 Notes		**–**	(110,739)
Repayments of borrowings		**(300,458)**	(463,158)
Payment of loan arrangement and other fees		**–**	(14,374)
Net cash generated from/(used in) financing activities		**861,608**	(106,737)
Net increase in cash and cash equivalents		**272,404**	294,876
Cash and cash equivalents at beginning of the period		**904,961**	202,967
Exchange (losses)/gains on cash and cash equivalents		**(20,127)**	8,139
Cash and cash equivalents at end of the period		**1,157,238**	505,982
Included in cash and cash equivalents per the condensed interim consolidated statement of financial position		**1,157,238**	500,688
Included in the assets of disposal group classified as held for sale		**–**	5,294

Notes:

1. GENERAL INFORMATION

MIE Holdings Corporation (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the exploration, development, production and sale of oil and other petroleum products in the People's Republic of China (the "PRC") under production sharing contracts ("PSC") and other similar arrangements. The Group currently has two producing oil PSCs in the PRC, and a working interest in the Niobrara shale oil and gas assets in the United States of America (the "USA"). The Group also participates as associates in the exploration, development and production of petroleum assets located in the Republic of Kazakhstan (the "Kazakhstan"), western Canada and the northern part of the South China Sea in the PRC, as further explained below.

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

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

The condensed interim consolidated financial information is presented in Chinese Renminbi ("RMB") unless otherwise stated. This condensed interim consolidated financial information has been approved for issue by the board of directors ("Board of Directors") on August 21, 2017.

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

2. BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended June 30, 2017 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, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB").

2.1 Going concern

Considering the repurchase of 6.875% Senior Notes due 2018 (the "2018 Notes") and 7.50% Senior Notes due 2019 (the "2019 Notes") subsequent to the period end (Note 19), the Directors of the Company have re-assessed adopting going concern as the basis of preparation of the Group. Taking into account the internally generated financing, existing facilities and facilities to be committed, the Directors of the Company have confirmed that it remains appropriate to prepare the interim financial information on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended December 31, 2016.

Amendments to IFRS effective for the financial year ending December 31, 2017 are not expected to have a material impact on the Group.

New and amended standards issued but not yet adopted by the Group

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Lease[3]

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2. Effective for annual periods beginning on or after 1 January 2018, earlier application is permitted.
3. Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted, if IFRS 15 is also applied.

There are no other new and amended standards that are not yet effective that would be expected to have a material impact on the Group.

4. ESTIMATE

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

5. SEGMENT INFORMATION

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

The segment information provided to the Board of Directors for the reportable segments for the six months ended June 30, 2017 is as follows:

	PRC *RMB'000*	**North America** *RMB'000*	**Corporate and other segments** *RMB'000*	**Total** *RMB'000*
Segment revenue	**334,612**	**1,783**	**–**	**336,395**
Depreciation, depletion and amortization	**(175,905)**	**(878)**	**(89)**	**(176,872)**
Taxes other than income taxes *(Note 11)*	**(1,798)**	**–**	**(6,137)**	**(7,935)**
Employee compensation costs	**(31,920)**	**(1,718)**	**(27,053)**	**(60,691)**
Purchases, services and others	**(42,761)**	**(1,184)**	**–**	**(43,945)**
Distribution expenses	**(8,810)**	**–**	**–**	**(8,810)**
General and administrative expenses	**(10,181)**	**(1,926)**	**(35,120)**	**(47,227)**
Impairment	**–**	**–**	**(3,430)**	**(3,430)**
Other losses, net	**(37,350)**	**–**	**(374,634)**	**(411,984)**
Finance income	**230**	**5**	**21,521**	**21,756**
Finance costs	**(34,070)**	**13,391**	**(198,997)**	**(219,676)**
Share of profits of investments in associate	**–**	**–**	**10,861**	**10,861**
Profit/(loss) before income tax	**(7,953)**	**9,473**	**(613,078)**	**(611,558)**
Income tax expense	**(61,768)**	**(1)**	**(219)**	**(61,988)**
(Loss)/profit for the period	**(69,721)**	**9,472**	**(613,297)**	**(673,546)**

5. **SEGMENT INFORMATION (Continued)**

As at June 30, 2017:

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

For the six months ended June 30, 2016:

	PRC *RMB'000*	Kazakhstan *RMB'000*	North America *RMB'000*	Corporate and other segments *RMB'000*	Total *RMB'000*
From continuing operations					
Segment revenue	227,612	–	1,813	–	229,425
Depreciation, depletion and amortization	(155,922)	–	(1,770)	(226)	(157,918)
Taxes other than income taxes *(Note 11)*	(1,246)	–	–	(5,278)	(6,524)
Employee compensation costs	(32,248)	–	(768)	(30,390)	(63,406)
Purchases, services and others	(46,454)	–	(2,252)	–	(48,706)
Distribution expenses	(9,073)	–	–	–	(9,073)
General and administrative expenses	(7,716)	–	(1,533)	(19,039)	(28,288)
Impairment	(150,246)	–	(3,030)	(42,878)	(196,154)
Other gains/(losses), net	1,987	–	42	(35,768)	(33,739)
Finance income	591	–	2,665	7,639	10,895
Finance costs	(10,917)	–	(7)	(170,512)	(181,436)
Share of losses of investments accounted for using the equity method	–	–	–	(2,790)	(2,790)
Loss before income tax	(183,632)	–	(4,840)	(299,242)	(487,714)
Income tax (expense)/credit	(61,344)	–	(5,590)	329	(66,605)
Loss for the period from continuing operations	(244,976)	–	(10,430)	(298,913)	(554,319)
From discontinued operations					
Loss for the period from discontinued operations	–	(844,886)	–	–	(844,886)
Loss for the period	(244,976)	(844,886)	(10,430)	(298,913)	(1,399,205)

5. SEGMENT INFORMATION (Continued)

As at December 31, 2016:

	PRC *RMB'000*	North America *RMB'000*	Corporate and others *RMB'000*	Total *RMB'000*
Total assets	2,998,635	9,750	2,839,243	5,847,628
Total liabilities	303,611	3,972	4,900,258	5,207,841

All segment information above represents segment results after elimination of inter-segment transactions, which primarily include interest income or expense from intra-group accounts and loans.

The revenue reported to the Board of Directors is measured consistently with that in the condensed interim consolidated statement of comprehensive income.
For the six months ended June 30

	2017 ***RMB'000***	2016 *RMB'000*
Sales of oil and gas	**334,744**	229,162
Provision of services	**1,651**	263
	336,395	229,425

For the six months ended June 30, 2017, total revenue from crude oil and gas sales in the PRC amounting to RMB333.0 million (2016: RMB227.3 million) are derived solely from PetroChina.

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At June 30, 2017, prepayments, deposits and other receivables are summarized as follows:

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
Amounts due from related parties		
— Palaeontol B.V.	**943,320**	935,998
— Others	**218,619**	223,530
Loans and deposits to third parties	**601,963**	421,559
Other receivables	**119,285**	227,252
Interest receivable	**8,704**	10,267
Consideration receivables from disposal of subsidiaries	**313,560**	320,675
Advances to employees	**7,873**	1,736
	2,213,324	2,141,017
Less: impairment provision *(Note (b))*	**(601,468)**	(197,596)
	1,611,856	1,943,421
Advanced deposit *(Note (a))*	**365,008**	–
Prepaid expenses	**6,784**	6,568
Advances to suppliers	**163,394**	153,107
Less: impairment provision *(Note (b))*	**(160,600)**	(151,871)
	1,986,442	1,951,225
Current	**444,610**	1,131,001
Non-current	**1,541,832**	820,224
	1,986,442	1,951,225

Note (a):

On May 31, 2017, the Purchaser, a wholly owned subsidiary of the Company and two independent vendors (the "Vendors") entered into a purchase and sale agreement (the "PSA"), pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase all the partnership interests in the Target Company, for an aggregate base purchase consideration of approximately C$722.0 million subject to adjustments in accordance with the PSA. The Target Company owns a diverse base of producing, resource and infrastructure assets located throughout Alberta, Saskatchewan, Manitoba, Ontario and British Columbia in Canada. A deposit of C$70.0 million has been paid by the Group during the period into an escrow account held by the escrow agent pursuant to the relevant escrow agreement. As at the date of approving this financial information, the transaction has not been completed.

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Note (b):

As of June 30, 2017, prepayments and other receivables of RMB762.1 million (December 31,2016: RMB349.5 million) were made bad debt provisions. The individual prepayments, and other receivables made bad debt provisions mainly relate to debtors that have indications of experiencing significant financial difficulty and default.

The creation and release of impairment provision receivables have been included in other losses, net in the condensed interim consolidated statement of comprehensive income.

The other classes within prepayments and other receivables do not contain assets made bad debt provisions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of prepayments and other receivables mentioned above. The Group does not hold any collateral as security.

The fair value of loans and receivables approximates to their carrying amounts.

7. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
Up to 30 days	**88,269**	101,771
31–180 days	**128**	644
Over 180 days	**6,071**	1,153
	94,468	103,568

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

The fair value of trade receivables approximates their carrying amount.

8. TRADE AND NOTES PAYABLE

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

	As at June 30, 2017	As at December 31, 2016
	RMB'000	*RMB'000*
Up to 6 months	**31,628**	52,262
6 months–1 year	**15,657**	4,727
1–2 years	**2,765**	8,184
2–3 years	**7,014**	16,596
Over 3 years	**12,639**	6,591
	69,703	88,360

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

9. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

	As at June 30, 2017	As at December 31, 2016
	RMB'000	*RMB'000*
Asset retirement obligations *(Note)*	**16,309**	15,757
Interest payable	**80,408**	82,477
Salary and welfare payable	**16,565**	22,810
Withholding and other tax payable	**50,180**	46,601
Other payables	**121,988**	120,163
	285,450	287,808
Less: non-current portion of		
— Asset retirement obligations	**(16,309)**	(15,757)
— Withholding tax payable	**(49,868)**	(45,052)
	(66,177)	(60,809)
Current	**219,273**	226,999

Note:

Movements of asset retirement obligations are as follows:

	RMB'000
At January 1, 2017	**15,757**
Additional provision	**201**
Amortization of discounts	**282**
Exchange differences	**69**
At June 30, 2017	**16,309**

10. BORROWINGS

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Non-current		
— senior notes payable *(Note (a))*	**3,162,939**	4,586,555
— secured loans from a third party institution *(Note (b))*	**966,317**	–
	4,129,256	4,586,555
Current		
— senior notes payable *(Note (a))*	**1,341,758**	–
— secured bank loans	**–**	104,000
	1,341,758	104,000
	5,471,014	4,690,555

Note (a):

Senior Notes

	Coupon rate	Due date	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
2018 Notes	6.875%	February 6, 2018	**1,341,758**	1,363,390
2019 Notes	7.5%	April 25, 2019	**3,162,939**	3,223,165
			4,504,697	4,586,555

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

Note (b):

On June 8, 2017, Gobi Energy Limited ("Gobi Energy"), a wholly-owned subsidiary of the Company, entered into a term loan facility agreement with a third party (the "Lender"), whereby the Lender has granted a facility in aggregate of approximately US$147.0 million to Gobi Energy, and the Company was as Guarantor. The loan is secured by a deposit in an escrow account, charge over shares in respect of the entire issued share capital of Gobi Energy and the Group's right to receive its share of revenue allocated and interests under Daan PSC. As at June 30, 2017, all facilities have been drawn down by Gobi Energy and the balance of deposit is US$6.6 million (equivalent to RMB44.9 million).

10. BORROWINGS (Continued)

Note (b): (Continued)

Movements in borrowings during the six months ended June 30, 2017 are analysed as follows:

	Bank borrowings *RMB'000*	Senior Notes *RMB'000*	Third party institution *RMB'000*	Total *RMB'000*
Carrying amounts as at January 1, 2017	**104,000**	**4,586,555**	**–**	**4,690,555**
Drawdown of new borrowing	**–**	**–**	**1,159,713**	**1,159,713**
Repayments of borrowing	**(104,000)**	**–**	**(196,458)**	**(300,458)**
Amortization of discounts	**–**	**25,976**	**3,101**	**29,077**
Exchange differences	**–**	**(107,834)**	**(39)**	**(107,873)**
Carrying amounts as at June 30, 2017	**–**	**4,504,697**	**966,317**	**5,471,014**

11. TAXES OTHER THAN INCOME TAXES

	Six months ended June 30, 2017 *RMB'000*	2016 *RMB'000*
PRC		
Urban construction tax and education surcharge	**1,755**	1,196
Others	**43**	50
	1,798	1,246
Corporate and other segments		
Withholding tax and others *(Note)*	**6,137**	5,278
	7,935	6,524

Note:

For the six months ended June 30, 2017, all (2016: all) withholding tax is related to interest expense arising from the intra-group loans.

12. OTHER LOSSES, NET

	Six months ended June 30, 2017 *RMB'000*	2016 *RMB'000*
Provisions for receivables	**(422,005)**	(23,040)
Gains/(losses) on changes in fair value of derivative financial instruments	**20,802**	(12,251)
Losses on disposal of available-for-sale financial assets	**(22,190)**	–
Tax refund	**7,160**	–
Others	**4,249**	1,552
	(411,984)	(33,739)

13. FINANCIAL COSTS — NET

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
Finance income		
Interest income on deposits	**21,756**	10,895
Finance costs		
Interest expense at coupon rates/bank rates	**(175,872)**	(185,984)
Amortization of discounts	**(52,104)**	(24,825)
Financing costs	**(6,346)**	–
Gains on repurchase of a portion of 2019 Notes	**–**	40,873
Other fees	**(161)**	(3,945)
	(234,483)	(173,881)
Exchange gains/(losses), net	**14,807**	(7,555)
	(219,676)	(181,436)
Finance costs — net	**(197,920)**	(170,541)

14. INCOME TAX EXPENSE

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
Current income tax *(Note)*	**220**	64,671
Deferred income tax	**61,768**	1,934
	61,988	66,605

Note:

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

Income tax expense is recognized based on management's estimate of the annual income tax rate applicable to the respective group entities expected for the full financial year. The estimated income tax rates applicable to the group entities (excluding group companies that are currently tax exempted) for the year ending December 31, 2017 varies from 25% to 35% (2016: 20% to 35%).

15. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the six months ended June 30, 2017 (2016: nil).

16. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the six-month period.

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
Loss from continuing operations attributable to owners of the Company	**(673,546)**	(554,566)
Loss from discontinued operations attributable to owners of the Company	**–**	(844,886)
Weighted average number of ordinary shares (thousands)	**2,810,538**	2,886,548
Basic losses per share		
From continuing operations	**(0.240)**	(0.192)
From discontinued operations	**–**	(0.293)
	(0.240)	(0.485)

16. EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding which are potentially dilutive. A calculation is performed to determine the number of ordinary shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the weighted average number of outstanding share options. The number of ordinary shares calculated above for basic earnings per share is increased by the number of ordinary shares that would have been issued assuming the exercise of the share options at the date later of beginning of the relevant period or the date of issue.

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
Losses		
Loss from continuing operations attributable to owners of the Company used to determine diluted earnings per share	**(673,546)**	(554,566)
Loss from discontinued operations attributable to owners of the Company used to determine diluted earnings per share	**–**	(844,886)
Weighted average number of ordinary shares outstanding (thousands)	**2,810,538**	2,886,548
Weighted average number of diluted potential ordinary shares for diluted earnings per share (thousands)	**2,810,538**	2,886,548
Diluted losses per share		
From continuing operations	**(0.240)**	(0.192)
From discontinued operations	**–**	(0.293)
	(0.240)	(0.485)

17. CASH GENERATED FROM OPERATING ACTIVITIES

	Six months ended June 30, 2017 RMB'000	2016 RMB'000
Loss before income tax	**(611,558)**	(487,714)
Adjustments for:		
Depreciation, depletion and amortization	**176,872**	157,918
Interest expenses — net	**212,727**	162,986
Exchange (gains)/losses, net	**(14,807)**	7,555
Impairment	**3,430**	196,154
(Gains)/losses on changes in fair value of derivative financial instruments	**(20,802)**	12,251
Value of employee services under stock option schemes	**13,122**	9,282
Losses on disposal of available-for-sale financial assets	**22,190**	–
Share of profits of investments accounted for using the equity method	**(10,861)**	2,790
Provisions for receivables	**422,005**	23,040
Others	**(4,249)**	–
Changes in working capital:		
Inventories	**2,887**	(6,571)
Trade and other receivable	**54,330**	(112,339)
Trade and other payable	**(11,166)**	(3,102)
Cash generated from/(used in) operations	**234,120**	(37,750)

18. COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Capital commitments for the purchase of property, plant and equipment

	As at June 30, 2017 RMB'000	December 31, 2016 RMB'000
Authorized by the board of directors but not contracted for	**106,529**	131,563
Contracted but not provided for	**–**	–
	106,529	131,563

18. **COMMITMENTS AND CONTINGENCIES (Continued)**

(a) **Commitments (Continued)**

(ii) Operating lease commitments

The Group has operating lease commitments related to its non-cancellable operating leases for offices. The future aggregate minimum lease payments under these operating leases are as follows:

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
Less than 1 year	**9,535**	8,846
Within 1–2 years	**4,406**	4,235
Within 2–5 years	**–**	472
	13,941	13,553

(b) **Contingencies**

On August 28, 2000, MI Energy Corporation ("MIE") entered into a PSC with Sinopec for exploration and development of Luojiayi 64 block at Shengli oilfield in Shandong Province, which was suspended since the end of 2004. In April 2005, MIE requested an extension from Sinopec to restart the project. On September 27, 2006, MIE received a letter from Sinopec denying the request to restart the project and seeking to terminate the PSC on the grounds that the extension period of the trial-development phase had expired and MIE had not met its investment commitment under the PSC. The Company believes its investment in the project at Shengli oilfield had met the required commitment amount under the PSC. The PSC with Sinopec has not been formally terminated and the dispute has not entered any judicial proceedings. As advised by the external legal counsel of the Company, the probability of claim from Sinopec for unfulfilled investment commitment, if any, in relation to the pilot-development phase is remote as the statute of limitations has run out.

19. **SUBSEQUENT EVENT**

Repurchase of a portion of the 2018 Notes and 2019 Notes

On July 10, 2017, US$18.3 million and US$160.1 million of 2018 Notes and 2019 Notes, respectively, were purchased by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

In the first half of 2017 ("1H2017" or the "Current Period"), MIE Holdings Corporation (the "Company"), together with its subsidiaries (collectively, the "Group"), continued its strategy of controlling capital expenditure and enhancing operational efficiency, in response to the continually low international crude oil prices and in 1H2017, the gas and oil operational production and net production of the Group decreased sharply compared with the same period in 2016. The Group's oil and gas production decreased by 30.6% to about 2.4 million barrels of oil equivalent ("BOE") compared with the first half of 2016 ("1H2016" or the "Prior Period"). Net oil gas production decreased by 45.9% to about 1.0 million BOE compared with the Prior Period. During the Current Period, our crude oil sales decreased by 40.9% to approximately 1.0 million barrels from the Prior Period, while our natural gas sales decreased to 9.6 million standard cubic feet ("MMscf"). After the disposal of 60% equity interest of Emir-Oil LLP, a wholly-owned subsidiary of the Group in Kazakhstan, in the second half of 2016, the Group became a non-controlling shareholder of Emir-Oil LLP, therefore, operational production volume, net production, crude oil sales in 1H2017 from Emir-Oil LLP were not consolidated with the corresponding items of the Group. Excluding the impact of the Kazakhstan project, the Group's operational production volume, net production and crude oil sales decreased by 10.6%, 8.0% and 5.2% respectively. The average realized crude oil price of the Group increased by 41.7 % to US$47.1 per barrel, with average natural gas prices rising to US$4.68 per thousand metric cubic feet ("Mscf"). As crude oil prices rebounded, the sales revenue realized during 1H2017 increased by 46.6% to RMB336.4 million compared with the Prior Period. EBITDA recorded a loss of RMB236.8 million, and the loss amount increased RMB77.5 million as compared to the of Prior Period. The adjusted EBITDA increased by 133.1% to approximately RMB205.1 million in the Current Period. During the Current Period, the Group recorded a net loss of RMB673.5 million.

The following table sets out a summary of the expenditures incurred in our exploration, development and production activities for the six months ended June 30, 2017:

(millions of RMB)	**Exploration expenditures**	**Development expenditures**	**Production/ operating expenditures**
China (Daan, Moliqing)	–	23	42
USA (Condor)	–	–	1
Total	–	23	43

The Group incurred development expenses of RMB23 million for the six months ended June 30, 2017, all of which were expenses incurred in China; the production expenses amounted to RMB43 million, of which RMB42 million was spent on projects in China and RMB1 million on projects in USA.

China operation (Daan, Moliqing, South China Sea)

In relation to the Daan project and Moliqing project, the Group plans to drill seventeen wells in 2017, including fifteen wells in Daan and two wells in Moliqing, and nine of them have been completed In 1H2017. Net daily production decreased by 7.28% to 5,590 barrels per day from 6,029 barrels per day in 1H2016, mainly due to the natural decline of oil reservoirs. Considering a 11.01% drop in net production in 1H2016 from 1H2015, net production decline has slowed in 1H2017. We forecast that the total annual net production of China's domestic projects in 2017 will be in line with our guidance for 2017.

In relation to the South China Sea project, China National Offshore Oil Corp. ("CNOOC") has been engaged to compile a reserve report and an overall development plan ("ODP") in preparation for the development. The first draft of reserve report was ready in July. The ODP is being compiled and expected to be completed by December 2018. A successful development of the block will help the Group gain experience in operating offshore oil fields.

USA Operations (Condor)

During the Current Period, the average daily production of crude oil was 30 barrels per day, having decreased by 25.0% from 44 barrels per day in the Prior Period and the daily average natural gas production was 17 Mscf per day, decreased by 70.7% from 58 Mscf per day in the Prior Period. Two wells were suspended due to gas engine.

Kazakhstan Operations (Emir-Oil)

One exploration well is planned to be drilled during 2017 in relation to the Emir-Oil project in Kazakhstan. The drilling of this well was in the preparation stage as at the end of June 30, 2017 and is planned to be drilled second half of 2017. With the recovery of oil price, three production wells have been opened again and the total number of producing wells in 1H2017 is 17.

Canada Operations (Journey)

Journey Energy Inc. plans to drill 14 wells in 2017, with four wells having been completed in 1H 2017. Daily production increased by 18% to 10,194 barrels per day from 8,640 barrels per day in Prior Period. The group generated investment income of RMB10.9 million in 1H2017.

Overall, as at the end of June 2017, the Group's main oilfield projects were located in Northeastern China, and the free cash flow contributed by these projects is critical in supporting the Group's other projects. In 1H2017, our oil fields in Northeastern China continued to maintain high production levels through the implementation of new advanced techniques, as well as optimization of conventional drilling methods in Kazakhstan as an important shareholder in the Emir-Oil LLP joint venture, we are also actively promoting the construction of new wells to further increase their production capacity.

As part of its strategy of rebuilding its asset portfolio and creating value for its investors as oil prices remain low, the Group constantly evaluates strategic investment opportunities globally and is particularly drawn by Canada's vast oil and natural gas resources .

On June 9, 2017, the Group announced its proposed very substantial acquisition of 100% partnership interests in a Canadian corporation, CQ Energy Canada Partnership ("CQ Company"), for a consideration of C$722,000,000 equivalent to approximately HK$4,176,336,800. The consideration represents multiples of C$2.1/BOE (EV/2P), being the consideration divided by the total proved and probable reserves.

The CQ Company owns a diverse base of producing, resource and infrastructure portfolio located throughout the Western Canadian Sedimentary and Williston basins in Alberta, Saskatchewan, Manitoba, Ontario and British Columbia in Canada. The CQ Company also has a high working interest in all its key assets. Its portfolio also includes midstream infrastructure assets in active areas including Ferrier, Hanlan, Carrot Creek and Wildcat Hills. Currently, the CQ Company has ownership in 11 major facilities including three sweet and eight sour plants with net processing capacity of 630 MMscf per day. The CQ Company has an average working interest (average percentage of ownership) of 67% in the relevant assets and properties in relation to its oil and gas reserves, which as of June 6, 2017 covered an area with gross land coverage of 3,492,600 acres (or net coverage of 2,200,814 acres).

The CQ Company possesses natural gas resources producing low decline, long life asset base products and infrastructure. It has vast acreage of undeveloped land and has potential for growth. Furthermore, the CQ Company's prolific assets have been able to generate positive EBITDA/netback under current oil and gas prices. Most of its assets are natural gas assets, and the impact of low oil prices on income is very limited. With the rise of the number of natural gas export projects in western Canada, the potential for future growth is expected. The said acquisition will provide the Group with a clear direction to enhance the Group's ability in the development of natural gas resources in Canada and to provide advantages for the Group to participate more effectively in the rapidly expanding Canadian natural gas exploration and development projects.

The Consideration will be funded through a combination of the Group's internal resources, debt or equity financing and proceeds to be raised from convertible preferred shares.

For further details, please refer to the announcement of the Company dated 9 June 2017.

OUTLOOK FOR 2017

High production by the Organization of the Petroleum Exporting Countries (the "OPEC"), US shale and non-OPEC suppliers created an unprecedented global glut that has driven oil prices lower since 2014, and long-term stay at low levels. In 1H2017, West Texas Intermediate (the"WTI") oil prices have been fluctuating in the range of 42 to 52 US dollars per barrel. With the OPEC controlling crude oil production, crude oil prices, the oil and gas industry and the global economy are expected to rebound moderately in the second half of 2017, but due to the increase of US shale gas production and the number of drilling rigs, there remains a high level of uncertainty and potential volatility with respect to global oil prices. When operating in such a challenging macro environment, the Group will focus on its ability to remain flexible and to react promptly to drastic changes.

The ability to develop natural gas in Canada will be further enhanced due to the acquisition of the CQ Company. Upon the successful completion of the acquisition of the CQ Company in the second half of the year, the CQ Company's financial statements will be consolidated into the Group's consolidated financial statements, and the CQ Company will become an important part of the Group and enhance the Group's financial stability and strength. It is expected that the Group's revenue and EBITDA will increase substantially in the second half of 2017, while the Group's total revenue from increase significantly. The business structure, personnel composition and management methods of the Group will be more international in future, which are beneficial to the widening of our global footprint, development of a more balanced oil and gas business portfolio, expansion of our operational capabilities and elevation of our profile and image as an international energy company.

Review of Operating Results

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Revenue

The Group's revenue increased by RMB107.0 million, or 46.6%, from RMB229.4 million for the six months ended June 30, 2016 to RMB336.4 million for the six months ended June 30, 2017.

This increase was mainly due to the increase in crude oil prices over the same period. Average realized oil price was US$47.10 per barrel for the six months ended June 30, 2017, compared to US$32.16 per barrel for the six months ended June 30, 2016.

- **China**

  During the six months ended June 30, 2017, our China oil fields realized revenue of RMB334.6million, including RMB332.6 million, RMB0.4 million and RMB1.6 million from oil sales, gas sales and services respectively.

  The average realized oil price was US$47.10 per barrel for the six months ended June 30, 2017, compared to US$32.15 per barrel for the six months ended June 30, 2016. Our sales volume was 1.03 million barrels for the six months ended June 30, 2017, compared to 1.08 million barrels for the six months ended June 30, 2016.

- **North America**

  During the Current Period, our North America oil fields realized revenue from crude oil sales of RMB1,755.0 thousand. The average realized oil price was North America US$46.85 per barrel, with sales volume of 5,461 barrels. During the six months ended June 30, 2016, our North America oil fields realized revenue from crude oil sales of RMB1.8 million. The average realized oil price was US$33.75 per barrel, with a sales volume of 7,991 barrels for the six months ended June 30, 2016.

  North America operations realized revenue from gas sales of RMB28.4 thousand, with a realized gas price of US$4.68 per Mscf and total gas sales volume of 886 Mscf for the six months ended June 30, 2017. The realized revenue from gas sales of RMB49.7 thousand, with realized gas price of US$1.51 per Mscf and total gas sales volume of 5,038 Mscf was recorded for the six months ended June 30, 2016.

Operating expenses

- *Depreciation, depletion and amortization.* The Group's depreciation, depletion and amortization increased by RMB19.0 million, or 12.0%, from RMB157.9 million for the six months ended June 30, 2016 to RMB176.9 million for the six months ended June 30, 2017. The increase in depreciation, depletion and amortization was mainly due to there being no depreciation, depletion and amortization expenses recorded for the six months ended June 30, 2016 for Riyadh Energy Limited's ("Riyadh") property, plant and equipment and intangible assets after Riyadh's assets and liabilities were reclassified as "held for sale".

- *Taxes other than income taxes.* The Group's taxes other than income taxes increased by RMB1.4 million, or 21.5%, from RMB6.5 million for the six months ended June 30, 2016 to RMB7.9 million for the six months ended June 30, 2017. The following table summarizes the Group's taxes other than income taxes for the six months ended June 30, 2017 and 2016:

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
PRC		
Urban construction tax and education surcharge	**1,755**	1,196
Others	**43**	50
	1,798	1,246
Corporate and other segments		
Withholding tax and others	**6,137**	5,278
	7,935	6,524

China

The Ministry of Finance of the People's Republic of China ("MOF") has decided to increase the threshold of the special oil income levy from US$55 to US$65 per barrel, effective from January 1, 2015. As no sales were realized at or above US$65 per barrel during the Current Period, no special oil levy was incurred.

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 RMB2.7 million, or 4.3%, from RMB63.4million for the six months ended June 30, 2016 to RMB60.7 million for the six months ended June 30, 2017. The decrease in employee compensation costs was primarily due to a reduction in the total number of personnel for the six months ended June 30, 2017.

- *Purchases, services and other expenses.* Our purchases, services and other expenses decreased by RMB4.8 million, or 9.9%, from RMB48.7 million for the six months ended June 30, 2016 to RMB43.9 million for the six months ended June 30, 2017. The decrease in purchase, services and other expenses was primarily due to: (i) the decrease of production and sales volumes during the Current Period; and (ii) the stringent cost control measures implemented by the Group.

- *Distribution and administrative expenses.* The Group's distribution and administrative expenses increased by RMB18.6 million, or 49.7%, from RMB37.4 million for the six months ended June 30, 2016 to RMB56.0 million for the six months ended June 30, 2017. The increase in distribution and administrative expenses was primarily due to expenses incurred in relation to acquisition of the CQ Company of RMB18.3 million.

- *Impairment.* For the six months ended June 30, 2017, the Group has recognized an impairment charge amounting to RMB3.4 million on investment in PetroBroad Copower Limited ("PetroBroad"), compared to total impairment of RMB196.1 million for the six months ended June 30, 2016, which decreased by RMB192.7 million, or 98.3%, mainly due to: (i) lower global oil prices for the six months ended June 30, 2016 and made impairment charge amounting to RMB150.2 million and RMB3.0 million on the long-live assets (including mineral extractions rights) relating to assets in the PRC and North America, respectively, to reflect their carrying value to the respective estimated recoverable amount calculated based on value-in-use; (ii) an impairment charge amounting to RMB42.9 million on investment in PetroBroad for the six months ended June 30, 2016.

- *Other loss, net.* The Group had net other losses of RMB412.0 million for the six months ended June 30, 2017, compared to other income of RMB33.7 million for the six months ended June 30, 2016. Other losses for the six months ended June 30, 2017 arose primarily from: (i) provisions for receivables amounting to RMB422.0 million due to long aging of receivables and lower collectability; and (ii) losses on disposal of available-for-sale financial assets of RMB22.2 million; partially offset by: (i) gains on changes in fair value of derivative financial instruments amounting to RMB20.8 million; and (ii) tax refund from tax department of RMB7.2 million.

Finance costs, net

The Group's net finance cost increased by RMB27.5 million, or 16.1%, from RMB170.5 million for the six months ended June 30, 2016 to RMB197.9 million for the six months ended June 30, 2017. The increase in finance cost was mainly due to: (i) amortizing costs for Global Oil Corporation ("GOC") receivables of RMB24.4 million, compared to a negative amortizing cost of RMB7.1 million for the six months ended June 30, 2016; (ii) financing costs of RMB6.3 million incurred on a loan from Strong Petrochemical Limited; (iii) amortization of discounts of RMB0.6 million arising from a loan from Brilliant Shine Global Limited; and which were partially offset by an increase of exchange gain amounting to RMB14.8 million. Finance income was RMB21.8 million for the six months ended June 30, 2017 compared to RMB10.9 million for the six months ended June 30, 2016.

Share of loss of associate

As at June 30, 2017, the Group held a 34% interest in PetroBroad, 32.13% interest in Journey and 40% interest in PBV, respectively. These investments are accounted as associates by the Group and our share of profit amounted to RMB10.9 million for the six months ended June 30, 2017.

Loss before income tax

The Group's loss before income tax was RMB611.6 million for the six months ended June 30, 2017, compared to the loss before income tax RMB487.7 million for the six months ended June 30, 2016, representing an increase of RMB123.9 million, or 25.4%. This increase was primarily due to the cumulative effects of the above factors.

Income tax expense

The Group recorded income tax expense of RMB62.0 million for the six months ended June 30, 2017, compared to income tax expense of RMB66.6 million for the six months ended June 30, 2016, representing a decrease of RMB4.6 million, or 6.9%. The effective tax rate for the six months ended June 30, 2017 was -10%, compared to the effective tax rate for the six months period ended June 30, 2016 of -14%.

Loss for the period

The Group's loss for the six months ended June 30, 2017 was RMB673.5 million, compared to the loss of RMB1,399.2 million for the six months ended June 30, 2016, having decreased by RMB725.7 million, or 51.9%. This decrease was primarily due to the loss from discontinued operations of RMB844.9 million included in the six months ended June 30, 2016 and the cumulative effects of the above factors.

EBITDA AND ADJUSTED EBITDA

We provide a reconciliation of EBITDA and adjusted EBITDA to loss for the Current Period, with our most directly comparable financial performance calculated and presented in accordance with IFRS. EBITDA refers to earnings before finance income, finance costs, income tax and depreciation, depletion and amortization. Adjusted EBITDA refers to EBITDA adjusted to exclude non-cash and non-recurring items such as share-based compensation expense, assets impairment loss, (gains)/losses on changes in fair value of derivative financial instruments, provisions for receivables, geological and geophysical expense, withholding tax arising from intercompany loan, gains on write-off payables, losses from disposal of available-for-sale financial assets and any other non-cash or non-recurring income/expenses.

We have included EBITDA and adjusted EBITDA as we believe EBITDA is a financial measure commonly used in the oil and gas industry. We believe that EBITDA and adjusted EBITDA are used as supplemental financial measures by our management and by investors, research analysts, bankers and others, to assess our operating performance, cash flow and return on capital as compared to those of other companies in our industry, and our ability to take on financing. However, EBITDA and adjusted EBITDA should not be considered in isolation or construed as alternatives to profit from operations or any other measure of performance or as an indicator of our operating performance or profitability. EBITDA and adjusted EBITDA fail to account for tax, finance income, finance costs and other non-operating cash expenses. EBITDA and adjusted EBITDA do not consider any functional or legal requirements of the business that may require us to conserve and allocate funds for any purposes.

The following table presents a reconciliation of EBITDA and adjusted EBITDA (for continuing operations only) to loss before income tax for each period indicated.

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
Loss before income tax	**(611,558)**	(487,714)
Finance income	**(21,756)**	(10,895)
Finance costs	**219,676**	181,436
Depreciation, depletion and amortization	**176,872**	157,918
EBITDA	**(236,766)**	(159,255)
Value of employee services under stock option schemes	**13,122**	9,282
Impairment	**3,430**	196,154
(Gains)/losses on changes in fair value of derivative financial instruments	**(20,802)**	12,251
Geological and geophysical	**–**	1,227
Withholding tax	**6,137**	5,278
Provisions for receivables	**422,005**	23,040
Losses on disposal of available-for-sale financial assets	**22,190**	–
Others	**(4,249)**	–
Adjusted EBITDA	**205,067**	87,977

The Group's EBITDA decreased by approximately RMB77.5 million, or 48.7%, from approximately negative RMB159.3 million for the six months ended June 30, 2016 to approximately negative RMB236.8 million for the six months ended June 30, 2017. The decrease was due to: (i) the decrease in sales volume; (ii) provisions for receivables amounting to RMB422.0 million during the six months ended June 30, 2016; (iii)loss on disposal of available-for-sale financial assets of RMB22.2 million; and (iv) employee stock option compensation cost increased by RMB3.8 million due to new stock option issued and shares awarded on December 9, 2016; which was offset by: (i) the increase in realized oil price; (ii) impairment decreased by RMB192.8 million as compared to the first half year of 2016; and (iii) gains on changes in fair value of derivative financial instruments of RMB20.8 million.

The Group's adjusted EBITDA increased by approximately RMB117.1 million, or 133.1%, from approximately RMB88.0 million for the six months ended June 30, 2016 to approximately RMB205.1 million for the six months ended June 30, 2017. The decrease in adjusted EBITDA was also due to: (i) the increase in realized oil price resulted in revenue increased by RMB107.0 million; and (ii) share of profits of investments accounted for using the equity method increased by RMB13.7 million.

The Group's EBITDA and Adjusted EBITDA by operating segment for the six months ended June 30, 2016 and 2017 are set out below:

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

	Six months ended June 30, 2016			
	PRC *RMB'000*	North America *RMB'000*	Corporate *RMB'000*	Total *RMB'000*
Loss before income tax	(183,632)	(4,840)	(299,242)	(487,714)
Finance income	(591)	(2,665)	(7,639)	(10,895)
Finance costs	10,917	7	170,512	181,436
Depreciation, depletion and amortization	155,922	1,770	226	157,918
EBITDA	(17,384)	(5,728)	(136,143)	(159,255)
Value of employee services under stock options schemes	1,643	–	7,639	9,282
Impairment	150,245	3,030	42,879	196,154
Losses from changes in fair value of derivative financial instrument	–	–	12,251	12,251
Geological and geophysical	–	–	1,227	1,227
Withholding tax	–	–	5,278	5,278
Provisions for receivables	–	–	23,040	23,040
Adjusted EBITDA	134,504	(2,698)	(43,829)	87,977

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary source of cash during the six months ended June 30, 2017 was cash generated from financing activities.

In 1H2017, we had net cash generated from operating activities of RMB53.0 million, net cash used in investing activities of RMB642.2 million and net cash generated from financing activities of RMB861.6 million and a translation loss for foreign currency exchange of RMB20.2 million, resulting in a net increase in cash and cash equivalent of RMB252.2 million compared to the cash balance of RMB905.0 million as at December 31, 2016.

Cash generated from/(used in) operating activities

Net cash generated from operating activities was RMB53.0 million for the six months ended June 30, 2017.In 1H2017, our net cash used in operating activities included a loss before income tax of RMB611.6 million adjusted for, among other things, depreciation, depletion and amortization of RMB176.9 million, net interest expenses of RMB212.7 million, an unrealized foreign exchange gain of RMB14.8 million, an impairment loss on assets of RMB3.4 million, gains on changes in fair value of derivative financial instruments of RMB20.8 million, value of employee services under stock option scheme of RMB13.1 million, losses on disposal of available-for-sale financial assets of RMB22.2 million, share of profits from investments accounted for using the equity method of RMB10.9 million, provisions for receivables of RMB422.0 million and others of RMB4.2 million. The cash movements from changes in working capital in the six months ended June 30, 2017 included a decrease in trade and other receivables of RMB44.6 million; a decrease in trade and other payables of RMB11.2 million; a decrease in inventories of RMB2.9 million; interest paid of RMB171.2 million and income tax paid of RMB0.2 million.

Net cash used in operating activities was RMB223.7 million for the six months ended June 30, 2016.In 1H2016, our net cash used in operating activities included a loss before income tax of RMB487.7 million adjusted for, among other things, depreciation, depletion and amortization of RMB157.9 million, net interest expenses of RMB163.0 million, an unrealized foreign exchange loss of RMB7.6 million, an impairment loss on assets of RMB196.2 million, loss from changes in fair value of derivative financial instruments of RMB12.3 million, value of employee services under stock option scheme of RMB9.3 million, share of loss from investments accounted for using the equity method of RMB2.8 million and provision for bad debt of RMB23.0 million. The cash movements from changes in working capital in the six months ended June 30, 2016 included an increase in trade and other receivables of RMB112.5 million; a decrease in trade and other payables of RMB3.1 million; an increase in inventories of RMB6.6 million; interest paid of RMB189.5 million; income tax paid of RMB5.5 million and cash generated from discontinued operations of RMB9.1 million.

Cash (used in)/generated from investing activities

Net cash used in investing activities for the six months ended June 30, 2017 amounted to RMB642.2 million, mainly as a result of purchases of: (i) property, plant and equipment of RMB38.4 million, (ii) Contribution and loans to/acquisition of investments accounted for using the equity method of RMB24.0 million, (iii) net cash flow from investment in available-for-sale financial assets of RMB115.2 million, (iv) an increase in restricted bank deposits of RMB44.9 million, (v) loans and deposits to third parties of RMB104.2 million, (vi) deposit for acquiring of RMB365.0 million and (vii) others of RMB41.2 million, offset by proceeds from disposal of derivative financial instruments of RMB90.7 million.

Net cash generated from investing activities for the six months ended June 30, 2016 amounted to RMB625.3 million, mainly as a result of purchases of: (i) property, plant and equipment of RMB37.7 million, (ii) capital investment in associate accounted for using the equity method of RMB 43.5 million, (iii) net cash flow from investment in available for sale financial assets of RMB3.0 million, (iv) loans to investments accounted for using the equity method of

RMB13.0 million, (v) acquisition of non-controlling interests of RMB90.5 million,(vi) net cash flow from investment in derivative financial instruments of RMB97.3 million, and (vii) cash used in investing activities in discontinued operations of RMB118.6 million, offset by: (i) a decrease in restricted bank deposits of RMB412.9 million, (ii) proceeds from disposal of subsidiaries of RMB595.8 million, and (iii) interest received of RMB20.2 million.

Cash generated from/(used in) financing activities

Net cash generated from financing activities for the six months ended June 30, 2017 amounted to RMB861.6 million due to proceeds from borrowings of RMB1,162.1 million, offset by repayments of borrowings of RMB300.5 million.

Net cash used in financing activities for the six months ended June 30, 2016 amounted to RMB106.7 million due to proceeds from borrowings of RMB481.5 million, offset by: (i) payment to repurchase and cancellation of 2019 Notes of RMB110.7 million; (ii) repayments of borrowings of RMB463.2 million, and (iii) payment of loan arrangement and other fees of RMB14.3 million.

As at June 30, 2017, the Group's borrowings and Senior Notes amounted to approximately RMB5,471.0 million, representing an increase of approximately RMB780.4 million as compared to December 31, 2016. Among which, borrowings repayable within one year amounted to approximately RMB1,341.8 million, representing an increase of RMB1,237.8 million as compared to December 31, 2016.

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 85.5% as at December 31, 2016 to 99.4% as at June 30, 2017.

Our Total Borrowings to Adjusted EBITDA ratio, which is defined as total borrowings divided by Adjusted EBITDA decrease from 16.56 as at December 31, 2016 to 13.34 (annualized) as at June 30, 2017.

Borrowings

All of the Group's borrowings and Senior Notes are denominated in US dollars. The Group's borrowings and Senior Notes are all at fixed interest rates. No hedging instruments were used for borrowings and Senior Notes. The Group has no undrawn banking facilities.

Market Risks

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

Oil price risk

Our realized oil prices are determined by reference to oil prices in the international market, changes in international oil prices will have a significant impact on us. Unstable and high volatility of international oil prices may have a significant impact on our revenue and profit. During 1H2017, the Group entered into oil hedge options contracts to manage its price risk.

Currency risk

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

The 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 30 June 2017, the Group has a term loan with a third party in aggregate of US$147.0 million and the Company was as Guarantor. The loan is secured by a deposit in an escrow account, charge over shares in respect of the entire issued share capital of Gobi Energy Limited (a wholly-owned subsidiary of the Company) and the Group's right to receive its share of revenue allocated and interests under Daan PSC. As at June 30, 2017, all facilities have been drawn down by Gobi Energy and the balance of deposit is US$6.6 million (equivalent to RMB44.9 million).

EMPLOYEES

As at June 30, 2017, the Company had 1,373 employees, with 1,371 based in China (Mainland and Hong Kong) and two based in USA. There have been no material changes to the information disclosed in the Company's annual report 2016 in respect of the remuneration of employees, remuneration policies and staff development.

CONTINGENCIES

On August 28, 2000, MI Energy Corporation ("MIE") entered into a PSC with Sinopec for the exploration and development of Luojiayi 64 block at the Shengli oilfield in Shandong Province, which has been suspended since the end of 2004. In April 2005, MIE requested an extension from Sinopec to restart the project. On September 27, 2006, MIE received a letter from Sinopec denying the request to restart the project and seeking to terminate the PSC on the grounds that the extension period of the trial-development phase had expired and MIE had not met its investment commitment under the PSC. The Company believes its investment in the project at Shengli oilfield had met the required commitment amount under the PSC. The PSC with Sinopec has not been formally terminated and the dispute has not entered any judicial proceedings. As advised by the external legal counsel of the Company, the probability of claim from Sinopec for unfulfilled investment commitment, if any, in relation to the pilot-development phase is remote as the statute of limitations has run out.

DIVIDEND

The Board has resolved that no interim dividend will be paid for the six months ended June 30, 2017.

AUDIT COMMITTEE

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

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

THE PROPOSED ACQUISITION OF CQ ENERGY CANADA PARTNERSHIP, SUBSCRIPTION AND DEEMED DISPOSAL OF INTEREST IN A WHOLLY-OWNED SUBSIDIARY

Canlin Energy Corporation (formerly known as Maple Felix Energy Corporation), a wholly-owned subsidiary of the Company (the "Purchaser") and the Company executed the purchase and sale agreement (the "PSA") dated as of May 31, 2017, in escrow, with (i) Direct Energy Resources Partnership and (ii) an undisclosed body corporate holding as at the date of the PSA 40% of the partnership interests of CQ Energy Canada Partnership (collectively, the "Vendors"). The Purchaser has conditionally agree to acquire and the Vendors have conditionally agreed to sell the partnership interests, representing all the partnership interests in CQ Energy Canada Partnership, at a consideration of C$722,000,000 (equivalent to approximately HK$4,176,336,800) (subject to adjustments in accordance with the PSA). The consideration will be funded through a combination of the Group's internal resources, debt or equity financing and proceeds raised from the convertible preferred shares issued by the Purchaser.

In order to facilitate the acquisition of the partnership interests, each of CCGRF Gastown Limited ("Gastown"), Maple Marathon Investments Limited ("Maple Marathon") and Mercuria Energy Netherlands BV (collectively, the "Subscribers") and the Purchaser entered into the subscription agreement on May 31, 2017 in respect of the issue of: (i) an aggregate of 296,000,000 common shares to Maple Marathon, and (ii) the convertible preferred shares in the aggregate principal amount of C$204,000,000 (equivalent to approximately HK$1,180,017,600), convertible into common shares on the basis of 0.83 common shares for every one convertible preferred share, to Gastown and Mercuria Energy Netherlands BV.

The issue of conversion shares to the Subscribers upon conversion of the convertible preferred shares will be deemed to be a disposal of interest in the Purchaser by the Company under the Listing Rules.

For further details on the proposed acquisition, subscription and deemed disposal, please refer to the Company's announcement dated June 9, 2017.

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

During the six months ended June 30, 2017, neither the Company nor its subsidiaries had bought back, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Company has complied with the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period from January 1, 2017 to June 30, 2017, except for Code Provisions A.2.1 as explained below.

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer are required to be separated and not to be performed by the same individual. Mr. Zhang Ruilin ("Mr. Zhang") is the Chairman of the Board. In addition to the role of Chairman of the Board, the role of Chief Executive Officer is also designated to Mr. Zhang. This constitutes a deviation from Code Provision A.2.1. The reason for such deviation is set out below.

The Company is engaged in the oil and gas exploration and production business which is different from integrated oil companies engaged in both upstream and downstream operations. In light of this, the Board considers that the interest of the Company's oil and gas exploration and production business is best served when strategic planning decisions are made and implemented by the same person. The Nomination Committee of the Company also agreed that it is in the best interest of the Company that the roles of the Chairman of the Board and Chief Executive Officer be performed by the same individual. In this respect, the Company does not currently propose to designate another person as the Chief Executive Officer of the Company. However, the Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and Chief Executive Officer, are necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended June 30, 2017. In addition, no incident of non-compliance of the Model Code by the employees was noted by the Company.

MISCELLANEOUS

The Directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended December 31, 2016, other than those disclosed in this interim report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

An interim report for the six months ended June 30, 2017 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the said websites in due course.

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

Hong Kong, August 21, 2017

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.