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MIE HOLDINGS CORPORATION
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1555)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015

FINANCIAL SUMMARY

	Unaudited	
	Six Months Period Ended	
	June 30,	
	2015	2014
	RMB'000	RMB'000
Revenue	596,399	1,811,649
(Loss)/profit from operations	(114,355)	476,682
EBITDA	184,834	993,954
Adjusted EBITDA	274,766	1,029,040
(Loss)/profit for the period	(324,369)	31,262
Basic and diluted (loss)/earnings per share (RMB per share)	(0.127)	0.014
	<hr/>	<hr/>
	Unaudited	Audited
	As at	
	June 30,	December 31,
	2015	2014
	RMB'000	RMB'000
Property, plant and equipment	5,830,261	6,629,673
Cash and cash equivalents	359,982	689,208
Total assets	9,392,400	9,593,567
Total equity	3,198,505	3,564,511
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CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended June 30,	
		2015	2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		596,399	1,811,649
Operating expenses:			
Depreciation, depletion and amortization		(311,830)	(538,549)
Taxes other than income taxes	12	(88,538)	(420,575)
Employee compensation costs		(95,897)	(108,724)
Purchases, services and others		(83,393)	(175,290)
Geological and geophysical expenses		–	(19,082)
Distribution expenses		(41,605)	(20,267)
General and administrative expenses		(38,699)	(62,601)
Impairment		(85,031)	–
Other gains, net	13	34,239	10,121
Total operating expenses		(710,754)	(1,334,967)
(Loss)/profit from operations		(114,355)	476,682
Finance income	14	18,441	3,981
Finance costs	14	(204,465)	(330,801)
Share of losses of investments accounted for using the equity method		(12,641)	(21,277)
(Loss)/profit before income tax		(313,020)	128,585
Income tax expense	15	(11,349)	(97,323)
(Loss)/profit for the period		(324,369)	31,262

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

		Unaudited	
		Six months ended June 30,	
		2015	2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive (loss)/income:			
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences		(1,225)	4,091
<i>Items that may be reclassified to profit or loss</i>			
Change in value of available-for-sale financial assets		(8,623)	(996)
Reclassification of accumulated change in value of available-for-sale financial assets upon disposal		(842)	–
		<u>(335,059)</u>	<u>34,357</u>
Total comprehensive (loss)/income for the period			
(Loss)/profit for the period attributable to:			
Owners of the Company		(324,499)	36,978
Non-controlling interests		130	(5,716)
		<u>(324,369)</u>	<u>31,262</u>
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(335,189)	40,073
Non-controlling interests		130	(5,716)
		<u>(335,059)</u>	<u>34,357</u>
Earnings per share for (loss)/profit attributable to owners of the Company for the period			
(expressed in RMB per share)			
Basic	17	(0.127)	0.014
Diluted	17	(0.127)	0.014
		<u>(0.127)</u>	<u>0.014</u>
Dividends	16	–	–

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		5,830,261	6,629,673
Intangible assets		486,153	494,552
Investments accounted for using the equity method		506,363	499,284
Deferred income tax assets		4,444	20,538
Available-for-sale financial assets		38,944	75,541
Prepayments, deposits and other receivables	6	417,543	210,389
Restricted cash		12,788	12,955
		7,296,496	7,942,932
Current assets			
Inventories		18,322	41,046
Prepayments, deposits and other receivables	6	380,851	622,013
Trade receivables	7	154,530	158,957
Restricted cash		379,207	139,411
Cash and cash equivalents		359,982	689,208
		1,292,892	1,650,635
Assets of disposal group classified as held for sale	8	803,012	–
		2,095,904	1,650,635
Total assets		9,392,400	9,593,567
Equity			
Equity attributable to owners of the Company			
Share capital		824,875	842,520
Other reserves		95,968	153,864
Retained earnings		2,236,138	2,560,637
		3,156,981	3,557,021
Non-controlling interests		41,524	7,490
Total equity		3,198,505	3,564,511

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

		Unaudited	Audited
		June 30,	December 31,
		2015	2014
	<i>Notes</i>	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Borrowings	<i>11</i>	4,179,985	4,174,878
Deferred income tax liabilities		310,005	312,971
Trade and notes payable	<i>9</i>	59,856	54,739
Provisions, accruals and other liabilities	<i>10</i>	90,379	141,350
		<u>4,640,225</u>	<u>4,683,938</u>
Current liabilities			
Trade and notes payable	<i>9</i>	631,927	654,373
Provisions, accruals and other liabilities	<i>10</i>	281,363	346,841
Current income tax liabilities		–	4,449
Borrowings	<i>11</i>	590,988	339,455
Liabilities of disposal group classified as held for sale	<i>8</i>	49,392	–
		<u>1,553,670</u>	<u>1,345,118</u>
Total liabilities		<u>6,193,895</u>	<u>6,029,056</u>
Total equity and liabilities		<u>9,392,400</u>	<u>9,593,567</u>
Net current assets		<u>542,234</u>	<u>305,517</u>
Total assets less current liabilities		<u>7,838,730</u>	<u>8,248,449</u>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited	
		Six months ended June 30,	
		2015	2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations	18	259,510	769,803
Interest paid		(162,012)	(167,150)
Income tax paid		(10,522)	(56,582)
		<u>86,976</u>	<u>546,071</u>
Net cash generated from operating activities			
Cash flows from investing activities			
Purchases of property, plant and equipment		(309,713)	(687,935)
Capital contribution to/acquisition of investments accounted for using the equity method		(2,543)	(269,375)
Net cash flow from investment in available for sale financial assets		28,324	–
Loans to investments accounted for using the equity method		(106,371)	(4,782)
Decrease in restricted bank deposits		2,937	18,938
Interest received		915	2,065
Others		(235)	–
		<u>(386,686)</u>	<u>(941,089)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		253,080	65,000
Proceeds from issue of senior notes payable, net of issuance costs		–	2,991,522
Repayments of senior notes		–	(2,465,600)
Payment of premium related to the repayments of senior notes		–	(120,198)
Repayments of borrowings		(1,455)	(65,000)
Payment for repurchase and cancellation of shares		(17,645)	–
Dividends paid		–	(60,952)
Payment for settlement of share options		–	(10,385)
Payment for shares purchased under Share Award Scheme		(11,063)	–
Dividends on treasury shares		–	970
Payment of loan arrangement and other fees		–	(14,281)
Increase in pledged deposit		(244,427)	–
Proceeds from contingent consideration receivable		–	4,389
		<u>(21,510)</u>	<u>325,465</u>
Net cash (used in)/generated from financing activities			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		689,208	274,529
Exchange (loss)/gains on cash and cash equivalents		(1,225)	10,022
		<u>366,763</u>	<u>214,998</u>
Cash and cash equivalents at end of the period			

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)

	Unaudited	
	Six months ended June 30,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Included in cash and cash equivalents per the statement of financial position	359,982	214,998
Included in the assets of disposal group classified as held for sale	<u>6,781</u>	<u>–</u>

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”) and the Republic of Kazakhstan (the “Kazakhstan”) under production sharing contracts (“PSC”) and other similar arrangements. The Group currently has two producing oil PSCs in the PRC, an exploration contract and four production contracts in Kazakhstan and a working interest in the Niobrara shale oil and gas assets in the United States of America (“USA”). The Group also participates through a joint venture in the exploration of two unconventional gas assets located on the eastern flank of the Ordos Basin in the PRC pursuant to two separate PSCs.

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 Uglan 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 20, 2015.

This condensed interim consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended June 30, 2015 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, 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (“IASB”).

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, 2014.

- (a) Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- (b) Disposal groups classified as held for sale

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The Disposal groups, are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries and associates), which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2 of the annual financial statements for the year ended December 31, 2014.

The adoption of these standards and amendments did not have a material impact on the Group's financial statements.

Amendments to IFRS effective for the financial year ending December 31, 2015 are not 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, 2014.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors of the Company that are used to make strategic decisions.

The Board of Directors considers the business performance of the Group from a geographic perspective being the PRC, Kazakhstan and USA. The PRC segment derives its revenue from the sale of oil. Revenue is realized from the sale of the Group's share of crude oil to PetroChina Company Limited ("PetroChina") pursuant to two PSCs. The Kazakhstan segment derives its revenue from the sale of oil and gas through the operation of an oil and gas exploration and four production contracts in Kazakhstan. The USA segment derives its revenue from sale of shale oil and gas through working interest in the Niobrara asset in the USA.

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

The segment information provided to the Board of Directors for the reportable segments for the six months ended June 30, 2015 is as follows:

	PRC RMB'000	Kazakhstan RMB'000	USA RMB'000	Corporate and other segments RMB'000	Total RMB'000
Segment revenue	<u>409,250</u>	<u>183,799</u>	<u>3,350</u>	<u>–</u>	<u>596,399</u>
Operating expenses:					
Depreciation, depletion and amortization	(273,081)	(38,178)	(333)	(238)	(311,830)
Taxes other than income taxes (<i>Note 12</i>)	(2,453)	(75,137)	(134)	(10,814)	(88,538)
Employee compensation costs	(35,861)	(18,945)	–	(41,091)	(95,897)
Purchases, services and others	(51,071)	(29,486)	(2,836)	–	(83,393)
Distribution expenses	(10,494)	(31,111)	–	–	(41,605)
General and administrative expenses	<u>(12,018)</u>	<u>(5,914)</u>	<u>(2,657)</u>	<u>(18,110)</u>	<u>(38,699)</u>
Total operating expenses	<u>(384,978)</u>	<u>(198,771)</u>	<u>(5,960)</u>	<u>(70,253)</u>	<u>(659,962)</u>
Profit/(loss) from operations	24,272	(14,972)	(2,610)	(70,253)	(63,563)
Impairment	(85,031)	–	–	–	(85,031)
Other gains, net	3,163	–	28,864	2,212	34,239
Finance income	14,838	451	1,509	1,643	18,441
Finance costs	(26,492)	(2,941)	(4,323)	(170,709)	(204,465)
Share of losses of investments accounted for using the equity method	<u>–</u>	<u>–</u>	<u>–</u>	<u>(12,641)</u>	<u>(12,641)</u>
(Loss)/profit before income tax	(69,250)	(17,462)	23,440	(249,748)	(313,020)
Income tax (expense)/benefit	<u>(13,361)</u>	<u>2,152</u>	<u>–</u>	<u>(140)</u>	<u>(11,349)</u>
(Loss)/profit for the period	<u><u>(82,611)</u></u>	<u><u>(15,310)</u></u>	<u><u>23,440</u></u>	<u><u>(249,888)</u></u>	<u><u>(324,369)</u></u>

5. SEGMENT INFORMATION (Continued)

For the six months ended June 30, 2014:

	PRC <i>RMB'000</i>	Kazakhstan <i>RMB'000</i>	USA <i>RMB'000</i>	Corporate and other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>1,325,539</u>	<u>473,195</u>	<u>12,915</u>	<u>–</u>	<u>1,811,649</u>
Operating expenses:					
Depreciation, depletion and amortization	(467,403)	(55,789)	(15,170)	(187)	(538,549)
Taxes other than income taxes (<i>Note 12</i>)	(224,733)	(188,341)	(276)	(7,225)	(420,575)
Employee compensation costs	(53,449)	(23,258)	–	(32,017)	(108,724)
Purchases, services and others	(118,671)	(47,058)	(9,561)	–	(175,290)
Geological and geophysical expenses	–	(19,082)	–	–	(19,082)
Distribution expenses	(16,048)	(4,219)	–	–	(20,267)
General and administrative expenses	<u>(24,104)</u>	<u>(14,159)</u>	<u>(4,173)</u>	<u>(20,165)</u>	<u>(62,601)</u>
Total operating expenses	<u>(904,408)</u>	<u>(351,906)</u>	<u>(29,180)</u>	<u>(59,594)</u>	<u>(1,345,088)</u>
Profit/(loss) from operations	421,131	121,289	(16,265)	(59,594)	466,561
Other gains/(losses), net	12,039	–	(408)	(1,510)	10,121
Finance income	135	883	1,880	1,083	3,981
Finance costs	(23,486)	32,763	(845)	(339,233)	(330,801)
Share of losses of investments accounted for using the equity method	<u>–</u>	<u>–</u>	<u>–</u>	<u>(21,277)</u>	<u>(21,277)</u>
Profit/(loss) before income tax	409,819	154,935	(15,638)	(420,531)	128,585
Income tax (expense)/benefit	<u>(102,313)</u>	<u>4,990</u>	<u>–</u>	<u>–</u>	<u>(97,323)</u>
Profit/(loss) for the period	<u><u>307,506</u></u>	<u><u>159,925</u></u>	<u><u>(15,638)</u></u>	<u><u>(420,531)</u></u>	<u><u>31,262</u></u>

All segment information above represented 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.

There has been no material change in total assets or total liabilities from the amounts disclosed in the last annual financial statements.

6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At June 30, 2015, prepayments, deposits and other receivables are summarized as follows:

	As at	
	June 30,	December 31,
	2015	2014
	RMB'000	RMB'000
Amounts due from related parties	424,442	375,519
Loans and other receivables	98,648	128,341
Receivables arising from realized gain of oil option	–	16,925
Interest receivable	8,304	7,698
Consideration receivables from disposal of subsidiaries	83,997	84,071
Deposits	51,966	58,131
Advances to employees	4,604	5,829
Transferred to disposal group classified as held for sale (Note 8)	(9,185)	–
	<u>662,776</u>	<u>676,514</u>
Less: provision for impairment	(73)	(1,090)
	<u>662,703</u>	675,424
Value-added-tax recoverable	90,503	71,107
Prepaid expenses	14,796	25,855
Advances to suppliers	26,421	41,610
Current income tax prepayment	3,971	18,406
	<u>798,394</u>	<u>832,402</u>
Current	380,851	622,013
Non-current	417,543	210,389
	<u>798,394</u>	<u>832,402</u>

7. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	As at	
	June 30,	December 31,
	2015	2014
	RMB'000	RMB'000
Up to 30 days	150,505	158,764
31–180 days	4,025	193
	154,530	158,957

At June 30, 2015, there are no significant past due trade receivables which are impaired (December 31, 2014: nil).

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

At June 30, 2015, no trade receivables (December 31, 2014: nil) was pledged for bank loans (Note 11).

8. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The assets and liabilities related to Riyadh Energy Limited ("Riyadh"), a 100% wholly owned subsidiary of the Company, has been presented as held for sale as at June 30, 2015 following the approval of the Company to sell Riyadh in the PRC. The completion date for the transaction is expected within one year. Riyadh's assets and liabilities are a disposal group. However, Riyadh is not a discontinued operation at June 30, 2015, as it does not represent a major line of business.

Riyadh's assets and liabilities were remeasured at the lower of carrying amount and fair value less cost to sell at the date of held-for-sale classification.

The property, plant and equipment, intangible assets and non-current prepayments of Riyadh were written down by RMB68,045,000 to RMB750,761,000.

8. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (Continued)

The major classes of assets and liabilities of the Riyadh in the disposal group are as follows:

	As at June 30, 2015 RMB'000
Assets classified as held for sale	
Property, plant and equipment	745,821
Intangible assets	3,716
Trade receivables	16,380
Prepayments, deposits and other receivables	9,185
Cash and cash equivalents	6,781
Other current assets	11,845
Other non-current assets	9,284
	<u>803,012</u>
Liabilities directly associated with assets as held-for-sale	
Trade and note payable	34,867
Provisions, accruals and other liabilities	10,775
Borrowings	3,750
	<u>49,392</u>
Total net assets of the disposal group	<u><u>753,620</u></u>

9. TRADE AND NOTES PAYABLE

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

	As at	
	June 30, 2015 RMB'000	December 31, 2014 RMB'000
Up to 6 months	462,639	427,290
6 months–1 year	147,936	176,906
1–2 years	65,040	68,275
2–3 years	10,746	19,139
Over 3 years	5,422	17,502
	<u>691,783</u>	<u>709,112</u>

10. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

	As at	
	June 30, 2015 RMB'000	December 31, 2014 RMB'000
Asset retirement obligations (<i>Note</i>)	50,087	54,684
Interest payable	83,621	75,627
Salary and welfare payable	37,248	47,713
Special oil levy	–	31,910
Withholding and other tax payable	46,007	71,409
Deposit received in relation to disposal of a subsidiary	48,482	46,400
Payable in relation to settlement of options to acquire shares of subsidiaries	50,926	50,971
Other payables	60,747	109,477
Transferred to disposal group classified as held-for-sale (<i>Note 8</i>)	(5,376)	–
	<u>371,742</u>	<u>488,191</u>
Less: non-current portion of		
— Asset retirement obligations	(50,087)	(54,684)
— Withholding tax payable	(27,132)	(28,611)
— Other payables	(13,160)	(58,055)
	<u>(90,379)</u>	<u>(141,350)</u>
Current	<u>281,363</u>	<u>346,841</u>

Note:

Movements of asset retirement obligations are as follows:

	RMB'000
At January 1, 2015	54,684
Additional provision	15
Amortization of discounts	1,527
Exchange differences	(740)
Transferred to disposal group classified as held for sale (<i>Note 8</i>)	<u>(5,399)</u>
At June 30, 2015	<u>50,087</u>

11. BORROWINGS

	As at	
	June 30, 2015 RMB'000	December 31, 2014 RMB'000
Non-current		
— senior notes payable (<i>Note</i>)	4,178,305	4,169,243
— unsecured bank loans	1,680	5,635
	<u>4,179,985</u>	<u>4,174,878</u>
Current		
— secured bank loans	347,252	122,380
— unsecured bank loans	243,736	217,075
	<u>590,988</u>	<u>339,455</u>
	<u>4,770,973</u>	<u>4,514,333</u>

Note:

			As at	
	Coupon rate	Due date	June 30, 2015 RMB'000	December 31, 2014 RMB'000
2018 Notes	6.875%	February 6, 2018	1,194,667	1,190,967
2019 Notes	7.5%	April 25, 2019	2,983,638	2,978,276
			<u>4,178,305</u>	<u>4,169,243</u>

The 2018 Notes and 2019 Notes (collectively “Senior Notes”) are general obligation of the Company and are senior in right of payment to any existing and future obligations of the Company and its subsidiaries expressly subordinated in right of payment to the Senior Notes, respectively.

The Senior Notes and the guarantees provided by certain subsidiaries will limit the ability of the Company and certain of its subsidiaries to, among other things (and subject to certain qualifications and exceptions) incur additional indebtedness, issue preferred stock and make investment.

11. BORROWINGS (Continued)

Note: (Continued)

At any time on or after February 6, 2016 and April 25, 2017, the Company may at its option redeem the 2018 Notes and 2019 Notes, respectively, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period commencing on February 6 and April 25, respectively, of any year set forth below:

	Redemption Price
2018 Notes:	
2016	103.4375%
2017	101.71875%
2019 Notes:	
2017	103.750%
2018	101.875%

At any time prior to February 6, 2016 and April 25, 2017, the Company may at its option redeem the 2018 Notes and the 2019 Notes, respectively, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 Notes and 2019 Notes, respectively, plus the applicable premium and accrued and unpaid interest to the redemption date.

In addition, at any time prior to February 6, 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2018 Notes, with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.875% of the principal amount of 2018 Notes, plus accrued and unpaid interest, if any to (but excluding) the redemption date, provided that at least 65% of the aggregate principal amount of the 2018 Notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

At any time prior to April 25, 2017 the Company may redeem up to 35% of the aggregate principal amount of the 2019 Notes with the net cash proceeds of one or more sales of Common Stock of the Company in an equity offering at a redemption price of 107.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

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

11. BORROWINGS (Continued)

Movements in borrowings during the six months ended June 30, 2015 are analysed as follows:

	Bank borrowings <i>RMB'000</i>	Senior Notes <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amounts as at January 1, 2015	345,090	4,169,243	4,514,333
Drawdown of bank borrowing	253,080	–	253,080
Repayments of bank borrowing	(1,455)	–	(1,455)
Amortization of discounts	–	12,773	12,773
Borrowings classified as held for sale (<i>Note 8</i>)	(3,750)	–	(3,750)
Exchange differences	(297)	(3,711)	(4,008)
	<u>592,668</u>	<u>4,178,305</u>	<u>4,770,973</u>
Carrying amounts as at June 30, 2015	<u>592,668</u>	<u>4,178,305</u>	<u>4,770,973</u>

The Group has the following undrawn banking facilities:

	As at June 30, 2015 <i>RMB'000</i>	December 31, 2014 <i>RMB'000</i>
Floating rate:		
— Expiring within one year	290,000	290,000
— Expiring beyond one year	–	–
Fixed rate:		
— Expiring within one year	203,840	220,025
— Expiring beyond one year	–	–
	<u>493,840</u>	<u>510,025</u>

12. TAXES OTHER THAN INCOME TAXES

	Six months ended June 30,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
PRC		
Special oil levy	–	217,307
Urban construction tax and education surcharge	2,169	7,149
Others	284	277
	<u>2,453</u>	<u>224,733</u>
Kazakhstan		
Mineral extraction tax	9,532	24,806
Rent export tax	22,624	108,420
Rent export duty expenditures	31,223	43,068
Property tax	11,758	12,047
	<u>75,137</u>	<u>188,341</u>
USA		
Severance tax	134	276
	<u>134</u>	<u>276</u>
Corporate		
Withholding tax (<i>Note</i>)	10,814	7,225
	<u>88,538</u>	<u>420,575</u>

Note: For the six months ended June 30, 2015, all (2014: all) withholding tax is related to interest expense arising from the intra-group loans.

13. OTHER GAINS, NET

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Loss on oil put option	–	(1,510)
Service income	874	–
Fair value gains on financial assets	–	7,573
Gains on write-off payables, net	28,864	–
Others	4,501	4,058
	<u>34,239</u>	<u>10,121</u>

14. FINANCIAL COSTS — NET

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Finance income		
Interest income on deposits	<u>18,441</u>	<u>3,981</u>
Finance costs		
Interest expense at coupon rates/bank rates	(170,436)	(175,283)
Amortization of discounts	(30,951)	(12,349)
Premium and unwinding of unamortized costs from early redemption of borrowings	–	(154,903)
Other fees	<u>(6,016)</u>	<u>(10,926)</u>
	<u>(207,403)</u>	<u>(353,461)</u>
Exchange gains, net	<u>2,938</u>	<u>22,660</u>
	<u>(204,465)</u>	<u>(330,801)</u>
Finance costs — net	<u>(186,024)</u>	<u>(326,820)</u>

Note: For the six months ended June 30, 2015 and 2014, the Group did not capitalize any borrowing costs.

15. INCOME TAX EXPENSE

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Current income tax — overseas	7,356	94,827
Deferred income tax	3,993	2,496
	<u>11,349</u>	<u>97,323</u>

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, 2015 varies from 20% to 35% (2014: 20% to 35%).

16. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the six months ended June 30, 2015 (2014: nil).

The Board of Directors does not recommend any payment of final dividend for the year ended December 31, 2014.

17. 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,	
	2015	2014
	RMB'000	RMB'000
(Loss)/profit attributable to owners of the Company (RMB'000)	<u>(324,499)</u>	<u>36,978</u>
Weighted average number of ordinary shares (thousands)	<u>2,551,632</u>	<u>2,607,226</u>
(Loss)/earnings per share, Basic (RMB per share)	<u>(0.127)</u>	<u>0.014</u>

17. 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,	
	2015	2014
	RMB'000	RMB'000
Earnings		
(Loss)/profit attributable to owners of the Company used to determine diluted earnings per share	<u>(324,499)</u>	<u>36,978</u>
Weighted average number of ordinary shares outstanding (thousands)	2,551,632	2,607,226
Adjustments for:		
— Share options (thousands)	<u>—</u>	<u>5,274</u>
Weighted average number of diluted potential ordinary shares for diluted earnings per share (thousands)	<u>2,551,632</u>	<u>2,612,500</u>
(Loss)/earnings per share, Diluted (RMB per share)	<u>(0.127)</u>	<u>0.014</u>

18. CASH GENERATED FROM OPERATING ACTIVITIES

	Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
(Loss)/profit before income tax	(313,020)	128,585
Adjustments for:		
Depreciation, depletion and amortization	311,830	538,549
Interest expenses — net	188,962	349,480
Exchange gains, net	(2,938)	(22,660)
Impairment	85,031	—
Gains from changes in fair value of financial assets at fair value through profit or loss	—	(6,063)
Gains on write-off payables, net	(28,864)	—
Value of employee services under stock option schemes	9,017	12,923
Share of losses of investments accounted for using the equity method	12,641	21,277
Changes in working capital:		
Inventories	12,741	313
Trade and other receivable	65,106	(291,904)
Trade and other payable	(80,996)	39,303
Cash generated from operations	<u>259,510</u>	<u>769,803</u>

19. COMMITMENTS AND CONTINGENCIES

(a) Commitments

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

	As at	
	June 30, 2015 RMB'000	December 31, 2014 RMB'000
Authorized by the board of directors but not contracted for	274,218	409,072
Contracted but not provided for	61,231	236,400
	<u>335,449</u>	<u>645,472</u>

19. 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,	December 31,
	2015	2014
	RMB'000	RMB'000
Less than 1 year	15,032	13,195
Within 1–2 years	7,157	5,733
Within 2–5 years	473	693
	<u>22,662</u>	<u>19,621</u>

(iii) The Group has a commitment to provide funding if called by SGE, a joint venture of the Group, in accordance with the 2015 SGE annual budget as approved by its board of directors up to USD51.0 million (equivalent to RMB312.1 million). For the six months ended June 30, 2015, USD17.8 million (equivalent to RMB108.9 million) has been funded to SGE.

(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.

Apart from the above, the Group has contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at June 30, 2015, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the financial statements.

20. SUBSEQUENT EVENT

Acquisition of 43.9% interest in, and warrants issued by, Long Run Exploration Ltd.

On August 5, 2015, the Group has entered into an agreement with Long Run Exploration Ltd (“Long Run”), a company listed on the Toronto Stock Exchange, whereby the Group has conditionally agreed to subscribe for 155,000,000 new shares in Long Run representing 43.9% interest upon completion, and certain warrants, assuming fully exercise of all these warrants, resulting in total representing 52.2% interest in Long Run, for an aggregate consideration of C\$201.5 million. The Group intends to finance the consideration by various ways, debt or equity financing, strategic partners, which may or may not result in Long Run remaining as a subsidiary of the Company. As at the date of approving this financial information, the transaction has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the first half of 2015 (“Current Period”), the Group (MIE Holdings Corporation, or the “Company”, together with the subsidiaries, the “Group”) strategically scaled-back overall capital expenditures (“Capex”) and also lowered production by Emir-Oil LLC (“Emir-Oil”) in response to the continued low international crude oil price environment. As a result of the above factors, the Group’s operated and net oil and gas production (in terms of barrels of oil equivalent) decreased. The Group’s gross operated oil and gas production decreased by 21.5% to 4.0 million barrels of oil equivalent (“BOE”) compared with the first half of 2014 (“Prior Period”); our net oil and gas production decreased by 33.4% to 2.1 million BOE. Oil and gas production is in line with FY2015 guidance. During the Current Period, crude oil sales decreased by 39.1% to 1.9 million barrels while gas sales increased by 38.7% to 1,395.7 million standard cubic feet (“MMscf”), which is equivalent to 39.5 million cubic meters, due to the pilot production of Sino Gas & Energy Limited (“SGE”). The Group’s average realized oil price and average realized gas price¹ dropped 46.22% to USD51.6 per barrel, and 19.2% to USD1.1 per thousand standard cubic feet (“Mscf”), respectively. The drop in oil prices resulted in realized sales revenue decreasing by 67.1% to RMB596.4 million from the Prior Period. Operating profit decreased by 124.0% to operating loss of RMB114.4 million. EBITDA decreased by 81.4% to RMB184.8 million, whilst Adjusted EBITDA decreased to RMB274.8 million in the Current Period, representing a 73.3% decrease. The Group accordingly reported a net loss of RMB324.4 million during the Current Period.

Similar to many other oil producers around the world, in response to the continued low international crude oil price during six months ended June 30, 2015, the Group strategically scaled-back Capex and has been making its best efforts to reduce the operating costs. As a result, significant improvements were made by the Group in terms of cost-efficiency. Furthermore, the Group has also achieved satisfactory progress towards certain key operational objectives during the Current Period:

- The lifting cost for Daan and Moliqing in China was decreased by 15.3% from USD10.14/barrel in six months ended June 30, 2014 to USD8.59/barrel during the Current Period. Although the average realized oil price for China segment dropped to USD53.08/barrel for six months ended June 30, 2015, the adjusted EBITDA was USD39.57/barrel, and the EBITDA margin improved to as high as 74.6%, as profitability on per barrel basis improved from our China oil fields.

¹ Excluding the gas sales price for Sino Gas & Energy Limited.

- A new sales agreement with our Kazakhstan export oil marketing company, Euro-Asian Oil SA (formerly known as “Titan Oil”) has been executed and made effective since February 2015. Under the previous sales agreement, the benchmark price was Brent (ICE) and the total sales, transportation commission and distribution expenses payable by Emir-Oil was in the range USD19 to 22/barrel. Under the new export sales agreement, the benchmark price is Urals (RCMB) and the total sales, transportation commission and distribution expenses is about USD14 to 16/barrel during six months ended June 30, 2015. Although the reduction in commission and distribution expenses is partially offset by the benchmark price differential, the new export sales agreement provides an overall total net cost savings of approximately USD2 to 3/barrel in comparison to the previous export sales agreement.
- Also in Kazakhstan, drilling of Aidai-1 exploration well was completed on June 10, 2015, after reaching a total depth of 5,080 meters. Being the deepest well drilled to date by Emir-Oil and the Group, Aidai-1 is located in the western part of the Emir-Oil exploration decapitalize contract area. The well encountered pervasive oil and gas shows in the reservoir objective Triassic sandstone and carbonate zones and will be tested in the second half 2015. Encouraging oil-indicators were also encountered in the exploration well Dolinnoe-12, which is currently being tested. It is noteworthy that early indications suggest that Dolinnoe-12 may prove a connection between the Dolinnoe oil field and the adjacent Yessen oil field, demonstrating these two fields to be continuous, as one large accumulation.
- During six months ended June 30, 2015, the SGE project produced about 741 MMscf of gas (or 20.8 million cubic meters), and RMB35.6 million was recorded as the net revenue. The new Linxing central gathering station (“CGS”), which is scheduled to commence operation in 3Q2015, will add 17 MMscf/day (or 480 thousand cubic meters per day) gas gathering capacity to the SGE project, bringing total gas gathering capacity for the project to 24 MMscf/day (or 680 thousand cubic meters per day), including 7,000 Mscf/day (or 200 thousand cubic meters per day) for the existing Sanjiaobei CGS, and allowing the project to ramp up production significantly during the the second half 2015.
- The SGE well testing program continued to be successful in six months ended June 30, 2015, with tests of 5 wells having been completed, and flow rates ranging from about 240 Mscf/day (or 6,792 cubic meters per day) to more than 1 MMscf/day (or 28,300 cubic meters per day). The most notable test was at the Linxing West vertical well TB-27, located in the northeast part of the block, where a flow rate of 1.8 MMscf/day (or 50,940 cubic meters per day) at a pressure of 630 psi (or 4.2Mpa) was recorded from an un-fracked reservoir zone.

OUTLOOK FOR 2015

For the six months ended June 30, 2015, the Group has incurred capital expenditure of USD60.8 million (equivalent to 59.0% of total full year budget on capital expenditure).

During the second half 2015, in view of continuing low global oil prices, the Group will continue to focus on lowering operating costs and optimizing the productivity for all of our segments. We will also continue to carefully control capital expenditures, with projects strategically important to the Group's future growth, particularly the completion of the SGE Linxing CGS and the advancement of construction on the Emir-Oil central oil and gas processing facility ("CPF").

Pursuant to an announcement made by the Group on August 5, 2015, an investment agreement has been entered into with Long Run Exploration Ltd. ("Long Run", stock code: LRE.TO). Pursuant to the investment agreement, the Group has conditionally agreed to subscribe and purchase 155 million shares from Long Run, 31 million 18-month warrants and 31 million 24-month warrants for aggregate consideration of C\$201.5 million (equivalent to approximately HK\$1.2 billion or USD154 million). Subject to completion of the investment, the Group will own 43.9% shares of Long Run and become the single largest shareholder. Post exercise of warrants, the Group's total shareholdings will rise to 52.2%. The Group intends to finance the consideration by various ways, debt or equity financing, strategic partners, which may or may not result in Long Run remaining as a subsidiary of the Company. As at the date of approving this financial information, the transaction has not been completed. Long Run is a Calgary-based intermediate oil and natural gas company focused on light oil development and exploration in the Western Canadian Sedimentary Basin. Long Run's key activities are concentrated in its core areas, which include the Peace River Montney, the Deep Basin Cardium, the Redwater Viking and the Boyer Bluesky areas. Long Run owns total land of approximately 9,000 km², which is more than twice of the total acreage for the oil and gas fields operated by the Group in China, Kazakhstan and USA. Particularly significant is the fact that about 40% of the Long Run's total acreage is undeveloped and therefore provides a solid base for reserve replacement as well as for future production growth. Based on the assessment provided by the independent reserve consultant, Sproule Associates Limited, the Proved plus Probable ("2P") oil and gas reserves for Long Run were about 170 million BOE at year-end 2014, with about 40% liquids. The estimated pre-tax net present value discounted at 10% (NPV-10) for the Long Run 2P reserves is approximately C\$1.6 billion.

As part of its strategy of creating value for its shareholders and investors, the Group constantly evaluates investment opportunities globally and is particularly drawn by Canada's vast oil and natural gas resources and established energy sector. The volatility in recent global commodity prices has led the Group to critically evaluate different opportunities in upgrading its asset portfolio. Long Run possesses significant acreage (approximately 40% undeveloped), an established and proven management team and has tremendous potential for growth. Furthermore, Long Run's assets have been able to generate positive EBITDA/netback in the current low oil and gas price environment and Long Run is confident to self-finance its future capital expenditure via its own cashflows and financing capabilities. The acquisition will also allow the Group to diversify its global footprint and develop a more balanced oil and gas business portfolio, expand its operational capabilities, elevate its profile and image as an international energy company and enhance shareholder value.

Review of Operating Results

Six-Month Period Ended June 30, 2015 Compared to Six-Month Period Ended June 30, 2014

Revenue

The Group's revenue decreased by RMB1,215.2 million, or 67.1%, from RMB1,811.6 million for six months ended June 30, 2014 to RMB596.4 million for six months ended June 30, 2015.

This decrease was mainly due to the significant decrease in crude oil prices over the same period as well as the decrease of the Group's overall sales volumes. In addition, the revenue of Pan-China Resources Ltd. ("PCR") and Miao Three Energy Limited ("Miao Three") amounted to RMB167.4 million was included in six months ended June 30, 2014, but such subsidiaries were subsequently divested in the second half of 2014. The Group's results do not include these two subsidiaries during Current Period. Average realized oil price was USD51.64 per barrel for six months ended June 30, 2015, compared to USD96.02 per barrel for six months ended June 30, 2014. The Group's total crude oil sales volume was 1.86 million barrels for six months ended June 30, 2015, compared to 3.06 million barrels for six months ended June 30, 2014.

- **China**

During six months ended June 30, 2015, our China oil fields realized revenue of RMB409.2 million. The average realized oil price was USD53.08 per barrel for six months ended June 30, 2015, compared to USD104.56 per barrel for the six months ended June 30, 2014. Our sales volume was 1.26 million barrels for the six months ended June 30, 2015, compared to 2.06 million barrels for six months ended June 30, 2014.

- **Kazakhstan**

During six months ended June 30, 2015, Emir-Oil realized revenue from oil sales of RMB177.0 million, compared to RMB466.4 million during six months ended June 30, 2014. The decrease in revenue was primarily due to a significant decrease of realized oil price and a decrease of sales volumes.

The sales volume decreased from 972,737 barrels for the six-month period ended June 30, 2014 (comprising 769,239 barrels from export sales and 203,498 barrels from domestic sales) to 592,177 barrels for the six-month period ended June 30, 2015 (comprising of 522,280 barrels from export sales and 69,897 barrels from domestic sales).

The average realized oil price for six months ended June 30, 2015 was USD53.68 per barrel from export sales (after transportation and marketing commissions of USD7.41 per barrel) and USD12.03 per barrel from domestic sales. The average realized oil price for six months ended June 30, 2014 was USD88.19 per barrel from export sales (after transportation and marketing commissions of USD20.99 per barrel) and USD39.71 per barrel from domestic sales. As a result of a new export sales agreement for the Kazakhstan operation effective from February 2015, the new export transportation and marketing commissions deducted by Euro-Asian Oil SA (formerly known as “Titan Oil”) decreased from USD20.99 per barrel during six months ended June 30, 2014 to USD7.41 per barrel, but under the new agreement we also paid average distribution expenses of USD7.08 per barrel during the Current Period.

During six months ended June 30, 2015, Emir-Oil realized revenue from gas sales of RMB6.8 million, with a realized gas price of USD1.1 per Mscf and total gas sales volume of 1,011,713 Mscf. During six months ended June 30, 2014, Emir-Oil realized revenue from gas sales of RMB6.8 million, with a realized gas price of USD1.15 per Mscf and total gas sales volume of 965,746 Mscf.

- **USA**

During Current Period, our USA oil fields realized revenue from crude oil sales of RMB3.2 million. The average realized oil price was USD43.27 per barrel, with sales volume of 12,199 barrels. In six months ended June 30, 2014, our USA oil fields realized revenue from crude oil sales of RMB11.2 million. The average realized oil price was USD89.26 per barrel, with sales volume of 20,456 barrels for the six months period ended June 30, 2014.

USA operation realized revenue from gas sales of RMB0.2 million, with a realized gas price of USD2.93 per Mscf and total gas sales volume of 8,765 Mscf for six months ended June 30, 2015. The realized revenue from gas sales of RMB1.7 million, with realized gas price of USD6.77 per Mscf and total gas sales volume of 40,853 Mscf was recorded for six months ended June 30, 2014.

Operating expenses

The Group’s operating expenses decreased by RMB624.2 million, or 46.8%, from RMB1,335.0 million for six months ended June 30, 2014 to RMB710.8 million for six months ended June 30, 2015, primarily due to: (i) decrease in depreciation, depletion, amortization; (ii) drop in taxes other than income taxes; (iii) decrease in purchases, services and others, and (iv) disposal of two subsidiaries (PCR and Miao Three), which account for total operating expenses of RMB116.1 million for six-month period ended June 30, 2014.

- *Depreciation, depletion and amortization.* The Group's depreciation, depletion and amortization decreased by RMB226.7 million, or 42.1%, from RMB538.5 million for six months ended June 30, 2014 to RMB311.8 million for six months ended June 30, 2015. The decrease in depreciation, depletion and amortization was mainly due to: (i) the decrease in sales and production volumes in 2015; and (ii) our exclusion during the Current Period of two subsidiaries, PCR and Miao Three, which were divested in the second half 2014 and which totally amounted to RMB45.1 million for six-month period ended June 30, 2014.
- *Taxes other than income taxes.* The Group's taxes other than income taxes decreased by RMB332.1 million, or 79.0% from RMB420.6 million for the six-month period ended June 30, 2014 to RMB88.5 million for six months ended June 30, 2015. The following table summarizes taxes other than income taxes for the six month period ended June 30, 2015 and 2014:

	Six Months Ended	
	June 30,	
	2015	2014
	RMB'000	RMB'000
PRC		
Special oil levy	–	217,307
Others	<u>2,453</u>	<u>7,426</u>
	2,453	224,733
Kazakhstan		
Mineral extraction tax	9,532	24,806
Rent export tax	22,624	108,420
Rent export duty expenditures	31,223	43,068
Property tax	<u>11,758</u>	<u>12,047</u>
	75,137	188,341
USA		
Severance tax	<u>134</u>	<u>276</u>
Corporate		
Withholding tax	<u>10,814</u>	<u>7,225</u>
	<u>88,538</u>	<u>420,575</u>

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 USD55 to USD65 per barrel, which became effective from 1 January 2015. As no sales were realized at or above USD65 per barrel during Current Period, no special oil levy was incurred.

Kazakhstan

During the six months ended June 30, 2015, Emir-Oil's taxes other than income taxes amounted to RMB75.1 million, which is a decrease of RMB113.2 million, or 60.1% compared to RMB188.3 million during the six months ended June 30, 2014. This decrease in taxes other than income taxes for our Kazakhstan operation was primarily due to: (i) the drop in realized oil price and sales volumes leading to the substantial decrease in both rent export tax as well as mineral extraction tax; and (ii) rent export duty expenditure was lowered from USD80 per metric ton to USD60 per metric ton with effect from April 2015.

Set out below are the various taxes that our Kazakhstan operation is subject to:

Rent Export Tax

Rent Export Tax is payable on export oil and is calculated based on realized prices for crude oil. Rent Export Tax rate ranges from 0%, if export price is less than USD40 per barrel, up to 32% if export price is higher than USD190 per barrel.

Mineral Extraction Tax ("MET")

For production of less than 250,000 tons per annum, MET is payable at a rate of 5% for export oil and 2.5% on domestic oil. MET for export oil is based on barrels of oil produced less barrels of domestic oil and barrels of internally consumed oil, multiplied by average realized price per barrel. MET for domestic oil is calculated based on barrels of domestic oil multiplied by production cost per barrel multiplied by 120%.

Rent Export Duty Expenditure

From April 14, 2013, Rent Export Duty expenditure is payable on export oil and calculated as USD60 per metric tonne per barrel multiplied by volume of export oil sales. From March 12, 2014, this duty was increased to USD80 per metric tonne. Subsequently, from April 2015, this duty was decreased to USD60 per metric tonne again.

Property Tax

Property tax is payable on oil and gas assets which have been granted a production licence at a rate of 1.5% based on average balance of oil and gas properties.

Corporate

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 RMB12.8 million, or 11.8%, from RMB108.7 million for the six-month period ended June 30, 2014 to RMB95.9 million for six months ended June 30, 2015. The decrease in employee compensation costs was primarily due to (i) a decrease in the total number of personnel, resulting from staff reductions in six months ended June 30, 2015; and (ii) the disposal of two subsidiaries (PCR and Miao Three) during the second half 2014. The Group's results do not include these two companies during Current Period.
- *Purchases, services and other expenses.* Our purchases, services and other expenses decreased by RMB91.9 million, or 52.4%, from RMB175.3 million for six months ended June 30, 2014 to RMB83.4 million for six months ended June 30, 2015. The decrease in purchase, services and other expenses was primarily due to (i) the decrease of production and sales volumes during Current Period; (ii) the disposal of two subsidiaries (PCR and Miao Three) during the second half 2014, which had accounted for a total of RMB31.3 million in purchases, services and other for six-month period ended June 30, 2014. The Group's results do not include these two companies during Current Period.
- *Distribution and administrative expenses.* The Group's distribution and administrative expenses decreased by RMB2.6 million, or 3.1%, from RMB82.9 million for the six-month period ended June 30, 2014 to RMB80.3 million for six months ended June 30, 2015. The decrease in distribution and administrative expenses was primarily due to: (i) the stringent cost control measures implemented by the Group; and (ii) the disposal of two subsidiaries (PCR and Miao Three), which accounted for about RMB11.6 million in distribution and administrative expenses for six-month period ended June 30, 2014. The Group's results do not include these two companies during Current Period. The above decrease was partially offset by increase in distribution expenses, which resulted from the new export sales route for the Kazakhstan operation effective from February 2015, where an average USD7.08 per barrel was directly recorded to distribution expenses.
- *Other gains, net.* The Group had other income of RMB34.2 million for six months ended June 30, 2015, compared to other income of RMB10.1 million for the six-month period ended June 30, 2014. Other income for Current Period, which rose primarily from net gain of RMB28.9 million as a result of payable write-off in Condor in February 2015.

Loss from operations

The Group's loss from operations was RMB114.4 million for six months ended June 30, 2015, compared to the profit RMB476.7 million for six months ended June 30, 2014, a decrease of RMB591.1 million, or 124.0%.

Finance costs, net. The Group's net finance cost, net, decreased by RMB140.8 million, or 43.1%, from RMB326.8 million for six months ended June 30, 2014 to RMB186.0 million for six months ended June 30, 2015. The decrease in finance cost was mainly due to certain one-off finance costs incurred during six months ended June 30, 2014 including: (i) RMB120.2 million call premium for the early redemption of the USD400 million 9.75% senior notes due 2016 ("2016 Notes"); and (ii) RMB35.2 million unamortized expenses of the 2016 Notes charged to finance cost as a result of the redemption. Finance income is RMB18.4 million for six months ended June 30, 2015 compared to RMB4.0 million for six months ended June 30, 2014.

Share of loss of joint ventures

The Group holds a 51% interest in SGE. This investment is accounted for as a joint venture by the Group and our share of loss of SGE decreased from RMB21.3 million for six months ended June 30, 2014 to RMB12.6 million for six months ended June 30, 2015, as a result of SGE's commencement to recognize pilot gas sales revenue during Current Period.

Loss before income tax

The Group's loss before income tax was RMB313.0 million for six months ended June 30, 2015, compared to the profit before income tax RMB128.6 million for six months ended June 30, 2014, a decrease of RMB441.6 million, or 343.4%. This decrease was primarily due to the cumulative effects of the above factors.

Income tax expense

The Group recorded income tax expense of RMB11.3 million for the six-month period ended June 30, 2015, compared to income tax expense of RMB97.3 million for six months ended June 30, 2014. This change was primarily due to the decrease in profit before income tax (in fact loss for certain of our operations) for the period ended June 30, 2015. The effective tax rate for the six months ended June 30, 2015 is -4% compared to an effective tax rate for the six months period ended June 30, 2014 of 76%.

Net loss for the period

As a result of the foregoing, our net loss for the period ended June 30, 2015 was RMB324.4 million, compared to a net profit of RMB31.3 million for six months ended June 30, 2014, a decrease of RMB355.7 million, or 1,136.4%.

EBITDA AND ADJUSTED EBITDA

We provide a reconciliation of EBITDA and adjusted EBITDA to profit for the period, 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, geological and geophysical expense, withholding tax arising from intercompany loan, gains on write-off payables 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 to profit for each period indicated.

	Six months ended	
	June 30,	
	2015	2014
	RMB'000	RMB'000
(Loss)/Profit for the period	(324,369)	31,262
Income tax expenses	11,349	97,323
Finance income	(18,441)	(3,981)
Finance cost	204,465	330,801
Depreciation, depletion and amortization	311,830	538,549
	<hr/>	<hr/>
EBITDA	184,834	993,954
	<hr/> <hr/>	<hr/> <hr/>
Share-based compensation expenses	9,017	5,711
Assets impairment loss	85,031	–
Gains from changes in fair value of financial assets at fair value through profit or loss	–	(6,063)
Geological and geophysical expense		
— Emir-Oil	–	19,082
— Share of SGE	15,272	9,131
Withholding tax from intercompany loan	10,814	7,225
Gains from investment in available for sale financial assets	(1,338)	–
Gains on write-off payables, net	(28,864)	–
	<hr/>	<hr/>
Adjusted EBITDA	274,766	1,029,040
	<hr/> <hr/>	<hr/> <hr/>

The Group's EBITDA decreased by approximately RMB809.2 million, or 81.4%, from approximately RMB994.0 million for the six-month ended June 30, 2014 to approximately RMB184.8 million for the six-month ended June 30, 2015. The decrease was due to: (i) the decrease in realized oil price and sales volume, and (ii) the disposal of two subsidiaries, PCR and Miao Three, in the second half 2014, which accounted for total EBITDA of RMB96.4 million for six-month period ended June 30, 2014. The Group's results for the Current Period do not include these two companies.

The Group's adjusted EBITDA decreased by approximately RMB754.2 million, or 73.3%, from approximately RMB1,029.0 million for the six-month ended June 30, 2014 to approximately RMB274.8 million for the six-month ended June 30, 2015. The decrease in adjusted EBITDA was also due to the decrease in realized oil price and sales volume, and the disposal of two subsidiaries during the second half 2014.

The Group's EBITDA and Adjusted EBITDA by operating segment for the six months ended are out below:

	Six months ended June 30, 2015				
	PRC <i>RMB'000</i>	Kazakhstan <i>RMB'000</i>	USA <i>RMB'000</i>	Corporate <i>RMB'000</i>	Total <i>RMB'000</i>
(Loss)/Profit for the period	(82,611)	(15,310)	23,440	(249,888)	(324,369)
Income tax expenses/(benefit)	13,361	(2,152)	–	140	11,349
Finance income	(14,838)	(451)	(1,509)	(1,643)	(18,441)
Finance cost	26,492	2,941	4,323	170,709	204,465
Depreciation, depletion and amortization	<u>273,081</u>	<u>38,178</u>	<u>333</u>	<u>238</u>	<u>311,830</u>
EBITDA	<u>215,485</u>	<u>23,206</u>	<u>26,587</u>	<u>(80,444)</u>	<u>184,834</u>
Share-based compensation expenses	3,436	263	–	5,318	9,017
Assets impairment loss	85,031	–	–	–	85,031
Geological and geophysical expense — Share of SGE	–	–	–	15,272	15,272
Withholding tax from intercompany loan	–	–	–	10,814	10,814
Gains from investment in available for sale financial assets	–	–	–	(1,338)	(1,338)
Gains on write-off payables, net	–	–	(28,864)	–	(28,864)
Adjusted EBITDA	<u>303,952</u>	<u>23,469</u>	<u>(2,277)</u>	<u>(50,378)</u>	<u>274,766</u>

	Six months ended June 30, 2014				
	PRC RMB'000	Kazakhstan RMB'000	USA RMB'000	Corporate RMB'000	Total RMB'000
(Loss)/Profit for the period	307,506	159,925	(15,638)	(420,531)	31,262
Income tax expenses/(benefit)	102,313	(4,990)	–	–	97,323
Finance income	(135)	(883)	(1,880)	(1,083)	(3,981)
Finance cost	23,486	(32,763)	845	339,233	330,801
Depreciation, depletion and amortization	467,403	55,789	15,170	187	538,549
EBITDA	<u>900,573</u>	<u>177,078</u>	<u>(1,503)</u>	<u>(82,194)</u>	<u>993,954</u>
Share-based compensation expenses	283	(51)	–	5,479	5,711
Impairment of inventory	–	–	–	–	–
Gains from changes in fair value of financial assets at fair value through profit or loss	(7,981)	–	408	1,510	(6,063)
Geological and geophysical expense					
— Emir	–	19,082	–	–	19,082
— Share of SGE	–	–	–	9,131	9,131
Withholding tax from intercompany loan	–	–	–	7,225	7,225
Adjusted EBITDA	<u>892,875</u>	<u>196,109</u>	<u>(1,095)</u>	<u>(58,849)</u>	<u>1,029,040</u>

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of cash during six months ended June 30, 2015 were cash flow from operating activities.

In the first half of 2015, we had net cash generated from operating activities of RMB87.0 million, net cash used in investing activities of RMB386.7 million and net cash used in financing activities of RMB21.5 million and a translation loss for foreign currency exchange of RMB1.2 million, resulting in a net decrease in cash and cash equivalent of RMB322.4 million compared to the cash balance of RMB689.2 million as of December 31, 2014.

At June 30, 2015, the Group has committed unutilized banking facilities amounting to RMB493.8 million.

Cash generated from operating activities

Net cash generated from operating activities was RMB87.0 million in six months ended June 30, 2015. In the first half of 2015, our net cash generated in operating activities included a loss before income tax of RMB313.0 million adjusted for, among other things, depreciation, depletion and amortization of RMB311.8 million, net interest expenses of RMB189.0 million, an impairment loss on assets of RMB85.0 million, employee share option expense of RMB9.0 million, an unrealized foreign exchange gain of RMB2.9 million, share of loss from investments accounted for using the equity method of RMB12.6 million and gains on write-off payables of RMB28.9 million. The cash movements from changes in working capital in the six month period ended June 30, 2015 included a decrease in trade and other receivables of RMB65.1 million; a decrease in trade and other payables of RMB81.0 million; a decrease in inventories of RMB12.7 million; interest paid of RMB162.0 million; and income tax paid of RMB10.5 million.

Net cash generated from operating activities was RMB564.1 million in six months ended June 30, 2014. In the first half of 2014, our net cash generated in operating activities included profit before income tax of RMB128.6 million adjusted for, among other things, depreciation, depletion and amortization of RMB538.5 million, net interest expenses of RMB349.5 million, employee share option expense of RMB12.9 million, an unrealized foreign exchange gain of RMB22.7 million, gain from changes of fair value of financial assets of RMB6.1 million and share of loss from investments accounted for using the equity method of RMB21.3 million. The cash movements from changes in working capital in the six month period ended June 30, 2014 included an increase in trade and other receivables of RMB291.9 million; an increase in trade and other payables of RMB39.3 million; and a decrease in inventories of RMB0.3 million; interest paid of RMB167.1 million; and income tax paid of RMB56.5 million.

Cash used in investing activities

Net cash used in investing activities in six months ended June 30, 2015 amounted to RMB386.7 million, mainly as a result of purchases of: (i) property, plant and equipment of RMB309.7 million, (ii) loans to investments accounted for using the equity method of RMB108.9 million, and (iii) net cash outflow from investment in derivative financial instruments of RMB0.2 million, offset by: (i) net cash inflow from investment in available for sale financial assets(i.e. preferred shares and bonds) of RMB28.3 million, (ii) a decrease in restricted bank deposits of RMB2.9 million, and (iii) interest received of RMB0.9 million.

Net cash used in investing activities in six months ended June 30, 2014 amounted to RMB941.1 million, mainly as a result of: (i) purchases of property, plant and equipment of RMB687.9 million, (ii) capital contribution to/acquisition of investments accounted for using the equity method of RMB269.4 million, and (iii) loans to investments accounted for using the equity method of RMB4.8 million, offset by: (i) a decrease in restricted bank deposits of RMB18.9 million and (ii) interest received of RMB2.1 million.

Cash (used in)/generated from financing activities

Net cash used in financing activities in six months ended June 30, 2015 amounted to RMB21.5 million due to: (i) proceeds from short-term working capital loan from CCB of RMB28.1 million, and (ii) proceeds from short-term pledged deposit facility from Bank of Communications Co., Ltd (“BOCM”) of RMB225.0 million, offset by: (i) Payment for repurchase and cancellation of shares of RMB17.6 million, (ii) Payment for shares purchased under Share Award Scheme of RMB11.1 million, (iii) RMB1.5 million used for repayment of the part long-term loan from CCB, and (iv) increase in pledged deposit of RMB244.4 million.

Net cash generated from financing activities in six months ended June 30, 2014 amounted to RMB325.5 million due to: (i) proceeds from the issue of the 2019 Notes of RMB2,991.5 million in April 2014, (ii) proceeds from short-term working capital loan from China Construction Bank (“CCB”) of RMB65 million, (iii) proceeds from contingent consideration receivable of RMB4.4 million and (iv) dividends on treasury shares of RMB1.0 million, offset by: (i) 2013 final cash dividend of RMB61.0 million paid in June 2014, (ii) RMB2,465.6 million used for the repayment of the 2016 Notes in May 2014 and the repayment of RMB65 million short-term working capital loan from CCB, (iii) RMB120.2 million used for the payment of premium related to the repayments of the 2016 Notes, (iv) RMB10.4 million used for the payment for settlement of share options and (v) RMB14.2 million used for the payment of loan arrangement fees and other fees.

As at June 30, 2015, the Group’s bank borrowings and Senior Notes amounted to approximately RMB4,771.0 million, representing an increase of approximately RMB256.7 million as compared to December 31, 2014. Among which, borrowings repayable within one year amounted to approximately RMB591.0 million, representing an increase of RMB251.5 million as compared to December 31, 2014. All of the Group’s bank borrowings and Senior Notes are denominated in RMB and United States Dollars.

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 51.8% as at December 31, 2014 to 58.0% as at June 30, 2015.

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.

Currency risk

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

The functional currency of the Kazakhstan subsidiary is in US dollars and all export sales are in US dollars. The transactions of the Kazakhstan subsidiary which are denominated in the Kazakhstan Tenge are exposed to fluctuations in the US dollars and Kazakhstan Tenge exchange rate. Management is not in a position to anticipate changes in the PRC foreign exchange regulations or the fluctuations between the US dollar and Kazakhstan Tenge exchange rates, and as such is unable to reasonably anticipate the impacts on the Group's results of operations or financial position arising from future changes in exchange rates.

EMPLOYEES

As at June 30, 2015, the Company had 1,960 employees, with 1,637 based in China (Mainland and Hong Kong), 319 based in Kazakhstan and 4 based in USA. There have been no material changes to the information disclosed in the Annual Report 2014 in respect of the remuneration of employees, remuneration policies and staff development.

CONTINGENCIES

On August 28, 2000, MIE entered into a PSC with Sinopec for exploration and development of the Shengli oilfield in Shandong Province. In 2000, MIE began the trial-development phase of its operations at the Shengli oilfield and drilled a dry hole. The project has been suspended since the end of 2004. In April 2005, MIE requested an extension from Sinopec to restart the project at the Shengli oilfield. 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 of at least USD2 million under the PSC. MIE 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.

DIVIDEND

The Board has resolved that no interim dividend will be paid for the six months ended June 30, 2015.

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 interim financial information of the Group for the six months period ended June 30, 2015 are unaudited, but has been reviewed by PricewaterhouseCoopers in accordance with International Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the entity” issued by the International Auditing and Assurance Standards Board.

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

Pursuant to the share buy-back mandate granted to the Board of the Company at the annual general meeting of the Company held on 16 May 2014, the Company bought back 25,578,000 of its own ordinary shares of USD0.001 each in the capital of the Company for the six months ended June 30, 2015 at the highest and lowest prices of HK\$0.88 and HK\$0.82 per share respectively (“Shares Buy-back”). The aggregate purchase price paid for the Shares Buy-back was approximately HK\$22.3 million (including transaction cost) and was funded by internal resources of the Company. Such shares bought back by the Company represents approximately 0.97% of the issued share capital of the Company before the Shares Buy-back.

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 of Hong Kong Limited (the “Listing Rules”) throughout the period from January 1, 2015 to June 30, 2015, 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 engaging 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 the directors have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2015. 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, 2014, other than those disclosed in this interim results announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The electronic version of this interim results announcement is published on the websites of the Company (<http://www.mienergy.com>), 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, 2015 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 20, 2015

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei, Mr. Tao Tak Yin Dexter, Mr. Andrew Harper and Mr. Tian Hongtao; (2) the non-executive director namely Mr. Wang Sing (Mr. Hung Leung is alternate to Mr. Wang Sing); and (3) the independent non-executive directors namely Mr. Mei Jianping, Mr. Jeffrey W. Miller and Mr. Cai Rucheng.