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MIE HOLDINGS CORPORATION

MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1555)

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2013

FINANCIAL SUMMARY

	Unaudited Six-Month Period Ended June 30,	
	2013	2012
	RMB'000	RMB'000
Total revenue	1,627,966	1,756,012
Profit from operations	506,153	665,449
EBITDA	959,488	1,042,188
Adjusted EBITDA	966,298	1,062,600
Net profit for the period	165,839	347,053
Basic earnings per share (RMB per share)	0.064	0.131
Diluted earnings per share (RMB per share)	0.064	0.130
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	As at	
	June 30,	December 31,
	2013	2012
	RMB'000	RMB'000
Property, plant and equipment	7,025,495	6,632,652
Cash and cash equivalents	320,124	467,164
Total assets	9,144,632	8,912,140
Total equity	3,522,196	3,464,183
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OPERATING SUMMARY

Six-Month Period Ended
June 30,
2013 **2012**

Properties Held by Subsidiaries

Sales volume

Crude oil (barrels)	2,616,671	2,421,658
China oilfields	1,975,162	2,041,370
Kazakhstan oilfields	620,606	380,288
Export sales	526,588	360,859
Domestic sales	94,018	19,429
USA oilfields	20,903	–
Gas (Mscf)	827,838	795,424
Kazakhstan oilfields	815,059	795,424
USA oilfields	12,779	–
Total (BOE) (Note 1)	2,754,644	2,554,229

Net production volume

Crude oil (barrels)	2,594,391	2,433,221
China oilfields	1,946,485	2,048,825
Kazakhstan oilfields	625,247	384,396
USA oilfields	22,659	–
Gas (Mscf)	922,302	841,582
Kazakhstan oilfields	867,871	841,582
USA oilfields	54,431	–
Total (BOE) (Note 1)	2,748,108	2,573,485

Average daily net production

Crude oil (barrels)	14,334	13,369
China oilfields	10,755	11,257
Kazakhstan oilfields	3,454	2,112
USA oilfields	125	–
Gas (Mscf)	5,096	4,624
Kazakhstan oilfields	4,795	4,624
USA oilfields	301	–

Average realized price

Crude oil (US\$ per barrel of crude oil)	99.18	114.61
China oilfields	105.59	119.61
Kazakhstan oilfields	79.10	87.81
Export sales	85.73	89.64
Domestic sales	41.98	53.87
USA oilfields	90.15	–
Gas (US\$ per Mscf)	1.43	1.15
Kazakhstan oilfields	1.35	1.15
USA oilfields	6.54	–

Lifting costs (US\$ per barrel of crude oil) (Note 2)

	8.44	8.24
China oilfields	9.31	8.03
Kazakhstan oilfields	5.71	9.38

	Six-Month Period Ended	
	June 30,	
	2013	2012
Wells drilled during the period (Gross)	96	254
China Oilfields	91	248
Successful	91	248
Dry	–	–
Kazakhstan Oilfields	5	4
Successful	5	4
Dry	–	–
USA Oilfields (Condor)	–	2
Successful	–	2
Dry	–	–

Note (1): Based on the conversion ratio of 1 barrel of oil to 6 Mscf.

Note (2): Lifting cost includes directly controllable costs to produce a barrel of oil. Other production costs such as safety fee, environment expenses, technical & research expenses and overhead have not been included above since they are not directly attributable to the production of a barrel of oil.

	Six-Month Period Ended	
	June 30,	
	2013	2012
Properties Held by		
Equity-accounted entities (Group share)		
Sales volume		
Crude oil (barrels)	1,203	–
USA (White Hawk)	1,203	–
Gas (Mscf)	1,546	–
USA (White Hawk)	1,546	–
Net production volume		
Crude oil (barrels)	1,211	–
USA (White Hawk)	1,211	–
Gas (Mscf)	2,244	–
USA (White Hawk)	2,244	–
Average daily net production		
Crude oil (barrels)	6.69	–
USA (White Hawk)	6.69	–
Gas (Mscf)	12.4	–
USA (White Hawk)	12.4	–
Average realized price		
Crude oil (US\$ per barrel of crude oil)	105.89	–
USA (White Hawk)	105.89	–
Gas (US\$ per Mscf)	6.12	–
USA (White Hawk)	6.12	–
Wells drilled during the period(Gross)	13	–
China, Shanxi(Sanjaobei and Linxing)	13	–
Successful	13	–
Dry	–	–
USA (White Hawk)	–	–
Successful	–	–
Dry	–	–

BUSINESS REVIEW AND PROSPECTS

During the first half of 2013 (“Current Period”), the overall performance of the Company and its subsidiaries (collectively “Group”) was solid and on track in meeting targets established by the board of the Company (“Board”) at the beginning of the year. The gross operated oil and gas production increased by 16.0% compared to the first half of 2012 (“Prior Period”), and net oil and gas production growth of 6.8% met our target.

The Group has been growing and expanding and our growth will be increasingly affected by the success of development plans for our newly acquired assets and projects. While our longstanding Northeast China operations continue to be highly successful and continue to contribute strong cash flow for capital investment needed elsewhere in our Group, our newly acquired assets, Emir-Oil LLC (“Emir-Oil”) in Kazakhstan and Sino Gas & Energy Limited (“SGE”) in Shanxi China are growing and shall represent the Group’s key growth drivers in the years to come. During such growth stage, we are disciplined to executing our stable and profitable production growth strategies in line with our Group’s goals and expectations. We shall continue to utilize our base assets in Northeast China as pillars to further expand into a diversified, producing, and profitable international oil and gas company.

During the Current Period, the Company’s gross operated oil and gas production increased by 16.0% to 4.87 million barrels of oil equivalent (“BOE”) compared with the Prior Period; our net oil and gas production increased by 6.8% to 2.75 million BOE, which is in line with the guidance as published in our 2012 annual report. During the Current Period, crude oil sales increased by 8.1% to 2.62 million barrels and gas sales increased by 4.1% to 827.8 million standard cubic feet. Our average realized oil price fell by 13.5% to US\$99.18 per barrel, and our average realized gas price rose by 24.4% to US\$1.43 per thousand standard cubic feet (“Mscf”). Realized sales revenue was down by 7.3% to RMB1,628.0 million from the Prior Period. Profit before income tax decreased by 43.2% to RMB299.7 million. EBITDA dropped by 7.9% to RMB959.5 million and adjusted EBITDA dropped from RMB 1,062.6 million in the first half of 2012 to RMB966.3 million, a 9.1% decrease. Net profit fell by 52.2% to RMB165.8 million.

Our business priority in the near term is to unlock the value in Emir-Oil and SGE properties. The Group’s net capital investment budgeted for year 2013 for all projects is approximately US\$309 million (before revision as discussed below), of which approximately US\$143 million was incurred for the Current Period. As more than half of our capital investment was budgeted and deployed for Emir-Oil and SGE, we are pleased that such investments and efforts began to pay off in the Current Period.

- Emir-Oil production continued to ramp up and reached a new peak daily production of 5,337 BOPD in mid August, roughly 2.5 times the production when we completed the acquisition of the assets in September 2011. We are optimistic that the second half of 2013 production shall outperform the first half and expect overall Emir-Oil will become increasingly profitable in near future.

- In March 2013, Emir-Oil’s fourth production contract covering Emir field was approved by the Ministry of Oil and Gas of the Republic of Kazakhstan. The Emir field has significant reserves and resources. Our independent reserves consultant, Chapman Petroleum Engineering Ltd. in their report dated January 1, 2013, assigned contingent resources of 33.75 million barrels, and probable and possible reserves of 7.5 million barrels to Emir field.
- In April 2013, Emir-Oil received government approval for pilot production of our successful exploration well North Kariman-2. Such pilot production will provide a solid basis for Emir-Oil to apply for a production contract that will allow for full field development.
- In June 2013, SGE signed a gas sales agreement for the Linxing production sharing contract (“PSC”) representing a key milestone towards realizing the value of such properties. Pursuant to the Gas Sales Agreement, gas sales may commence as early as December 2013 with an initial price of US\$7 per Mscf. Also in June 2013, the national development and reform commission of China issued a notice that, among other things, provides further flexibility on gas price negotiations for upstream oil and gas companies. We expect the tremendous underlying potential of the SGE properties to be realized by the steadily increasing natural gas consumption and demand in China, along with price liberalization and the future evolution of the overall China natural gas market.
- SGE expects to finalize and submit the China reserve report (“CRR”) for Linxing East block in third quarter of 2013. Compilation of the CRR is a crucial part of the process of defining and evaluating the Linxing East block in preparation for development.
- SGE has completed acquisition and interpretation of approximately 1,236 km of seismic data, which will be critically important for use in the asset’s evaluation, as well as the SGE year end 2013 reserve report.
- As of June 30, 2013, SGE has drilled 40 exploration wells and is expected to reach a total of 59 wells by year end 2013, including two horizontal wells. Quality exploration work provided detailed data required for CRR and overall development plan for both PSCs, also strengthened our understanding of the Linxing and Sanjiaobei blocks which shall prove to be beneficial for a cost-effective development program in the long term.

In addition to Emir-Oil and SGE projects, our other projects remain in a solid position. The Daan, Moliqing and Miao 3 projects in Northeast China and the Kongnan project in Hebei are all operated under the PSC profit sharing stage, and thereby continue to provide strong cash flow to support the Group’s other investments over the long term. The Niobrara shale oil asset, which we operate through our subsidiary, Condor Energy Technology LLC (“Condor”) in the US has previously put three horizontal wells into production. Another two horizontal wells have been drilled this year and will be put into production soon. The well-known advanced horizontal drilling and completion technologies developed in the US have completely changed the North American energy industry. By being the operator of an unconventional horizontal well development project in the US, we are tapping into advanced technologies and growing a core competency which we can apply in wider exploitation and development opportunities both in China and elsewhere internationally.

While our net profit of the Current Period was negatively impacted by lower commodity prices, higher depreciation, depletion and amortization expenses and higher finance expenses arising from interests increase and certain one-off charges, we are doing everything possible to improve our results with respect to those factors that are within our control. We are investing in projects that we believe will improve our overall realized product prices, and generate free cash flow and strong earnings. We are working to improve capital efficiency and managing costs to enhance margins across our oil and gas business.

As demonstrated by our results, the fundamentals of our business are strong and Emir-Oil and SGE projects are fast growing. We are confident that we will again deliver exceptional value to our investors and stockholders around the world.

OUTLOOK FOR 2013

For full year 2013, the Group plans to drill a total of 139 vertical wells and 9 horizontal wells. Included in these totals are 35 exploration wells. In the second half of 2013, 32 vertical and 7 horizontal wells remain to be drilled.

As of June 30, 2013, a total of US\$143 million (or 42.4% the revised full year budget) has been incurred.

To expedite the development of SGE and capitalize on the favorable outlook for the China gas market in the near future, we have revised our investment budget for 2013, increasing it by US\$28 million from US\$309 million to US\$337 million, which mainly includes

- US\$20 million for the drilling of 7 additional wells on the Northwest China SGE properties, and
- US\$8 million for the drilling of 4 additional wells on the North China Kongnan property.

Accordingly, our revised full year 2013 guidance is as follows.

	Number of Wells (Gross)	Net Investment (millions of US\$)	Net Production	Comments
Group in Total	148	337	14,300-15,400 BOPD 4,300-5,100 Mscfd	
China, Jilin (Daan, Moliqing, Miao 3)	97	98	9,300-9,800 BOPD	Including 4 horizontal wells
China, Shanxi (Sanjiaobei and LinXing)	32	85	100-300 Mscfd	(1) Based on the budget approved by the SGE board in April 2013; (2) Including 2 horizontal wells

	Number of Wells (Gross)	Net Investment (millions of US\$)	Net Production	Comments
China, Hebei (Kongnan)	6	19	900 BOPD	
Kazakhstan (Emir-Oil)	11	125	3,800-4,400BOPD 4,200-4,800Mscfd	Including 1 horizontal well
USA (Condor and White Hawk)	2	10	300 BOPD	All are horizontal wells

As we seek to maximize free cash flow while ensuring the execution of our overall production plan for second half of 2013 and going into 2014, we have strategically realigned the drilling of vertical wells (increased by 3 to 93) and horizontal wells (decreased by 1 to 4) for Northeast China operations without revising the overall 2013 guidance on production or capital expenditure. For Kazakhstan Emir-Oil operations, although average net crude oil production of 3,454 BOPD and average net gas operation of 4,795 Mscfd for the Current Period were below our expectation, July and August's (August 1 to August 16) production has ramped up to approximately 4,346 BOPD and 4,959 BOPD. If the July/August 2013 production shall sustain for the next 4 months, we are optimistic to achieve the overall 2013 guidance for Kazakhstan. For the Kongnan project in Hebei, we have added 4 wells for 2013, and accordingly the capital expenditure has been increased by US\$8 million to US\$19 million.

Overall, the Group's capabilities to discover new reserves and to develop/manage new and existing reservoirs continue to enhance significantly in the 1H 2013. As work rapidly proceeds at SGE towards first gas sales later this year, our practical working experience in China is proving to be invaluable, whilst our operational and technical proficiency in the exploration and development of unconventional gas reservoirs continued to be more advanced. In Kazakhstan, production continues to increase and we are proactively pursuing key facility improvements which will allow further and faster production ramp up. Meanwhile, our Northeast China oil fields continue to maintain high production levels through the implementation of new advanced techniques as well as optimization of conventional drilling methods. The free cash flow contributed from our Northeast China PSC's structure is crucial to the development of our other newly acquired core assets, Emir-Oil and SGE. In the USA, we are growing production, but just as importantly, we are acquiring technical capabilities in horizontal drilling and multi-stage fracture completions of unconventional reservoirs through operation of the Colorado Niobrara asset. The Board believes that our Group is well positioned to execute and deliver its 2013 business plan and goals, thereby setting the stage for the Group's next phase of steady growth in 2014 and beyond.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six month period	
		ended June 30,	
		2013	2012
	<i>Note</i>	RMB'000	RMB'000
Revenue	6	1,627,966	1,756,012
Operating expenses			
Purchases, services and other		(168,899)	(115,991)
Geological and geophysical expense		(5,491)	(791)
Depreciation, depletion and amortization		(463,601)	(376,673)
Taxes other than income taxes	7	(348,369)	(424,014)
Employee compensation costs		(95,189)	(118,996)
Distribution expenses		(17,056)	(16,620)
General and administrative expenses		(42,955)	(55,518)
Other gains, net	8	19,747	18,040
Total operating expenses		(1,121,813)	(1,090,563)
Profit from operations		506,153	665,449
Finance income	9	3,230	3,684
Finance costs	9	(199,386)	(141,104)
Share of (losses)/profits of jointly controlled entities		(10,266)	66
Profit before income tax		299,731	528,095
Income tax expense	10	(133,892)	(181,042)
Profit for the period		165,839	347,053
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation difference		(15,369)	1,632
Total comprehensive income for the period		150,470	348,685
Profit for the period attributable to:			
Owners of the Company		168,129	347,469
Non-controlling interests		(2,290)	(416)
		165,839	347,053

		Unaudited	
		Six month period	
		ended June 30,	
		2013	2012
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive income for the period attributable to:			
Owners of the Company		152,760	349,101
Non-controlling interests		(2,290)	(416)
		<u>150,470</u>	<u>348,685</u>
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB per share)			
Basic	<i>11</i>	0.064	0.131
Diluted	<i>11</i>	0.064	0.130
		<u>—</u>	<u>—</u>
Dividends	<i>4</i>	—	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		Unaudited June 30, 2013	Audited December 31, 2012
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		7,025,495	6,632,652
Intangible assets		582,676	603,898
Investments in jointly controlled entities		214,661	181,636
Deferred income tax assets		49,380	–
Available-for-sale financial assets		3,966	3,966
Trade and other receivables	12	63,757	178,817
Restricted cash		9,522	9,687
		7,949,457	7,610,656
Current assets			
Inventories		56,528	52,616
Derivative financial instruments		410	418
Trade and other receivables	12	818,013	740,180
Restricted cash		100	41,106
Cash and cash equivalents		320,124	467,164
		1,195,175	1,301,484
TOTAL ASSETS		9,144,632	8,912,140
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	13	854,003	854,003
Other reserves		244,977	203,107
Retained earnings		2,424,696	2,406,263
		3,523,676	3,463,373
Equity attributable to owners of the Company		3,523,676	3,463,373
Non-controlling interests		(1,480)	810
TOTAL EQUITY		3,522,196	3,464,183

		Unaudited	Audited
		June 30,	December 31,
		2013	2012
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Asset retirement obligations		51,456	45,090
Deferred income tax liabilities		315,263	260,135
Trade and other payables	14	287,164	209,434
Borrowings	15	3,627,326	3,327,894
Derivative financial instruments		–	67,839
		<u>4,281,209</u>	<u>3,910,392</u>
Current liabilities			
Trade and other payables	14	1,237,332	1,404,451
Current income tax liabilities		43,895	73,114
Borrowings	15	60,000	60,000
		<u>1,341,227</u>	<u>1,537,565</u>
Total liabilities		<u><u>5,622,436</u></u>	<u><u>5,447,957</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>9,144,632</u></u>	<u><u>8,912,140</u></u>
Net current liabilities		<u><u>(146,052)</u></u>	<u><u>(236,081)</u></u>
Total assets less current liabilities		<u><u>7,803,405</u></u>	<u><u>7,374,575</u></u>

1. GENERAL INFORMATION

MIE Holdings Corporation (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the development, production and sale of oil and other petroleum products in The People’s Republic in China (“PRC”), the Republic of Kazakhstan (“Kazakhstan”) and in the United States of America (“USA”). The Group has five oil production sharing projects in the PRC, an oil and gas exploration and four production contracts in Kazakhstan, and a working interest in the Niobrara asset (shale oil and gas) in the USA. The Group also has a jointly controlled entity engaged in the production and sale of shale oil and gas in the USA and a jointly controlled entity engaged in the exploration of unconventional gas in the PRC.

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

The Company’s shares are listed on the Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information is presented in Chinese Renminbi (“RMB”) unless otherwise stated. This condensed consolidated interim financial information was approved for issue on August 20, 2013.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended June 30, 2013 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRSs issued by the International Accounting Standard Board (“IASB”).

At June 30, 2013, the Group’s current liabilities exceeded its current assets by RMB146 million, which was mainly due to significant capital expansion programs undertaken by the Group in recent years. The Group generated cash and cash equivalents from its operating activities of RMB692 million and RMB1,148 million during the six months ended June 30, 2013 and the year ended December 31, 2012, respectively, and expects to continue to generate positive cash flow in the next 12 months from the approval date of this interim financial information. Based on its assessment, the Board of Directors of the Company is of the opinion that the Group has sufficient working capital to enable it to pay its debts as and when they fall due.

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, 2012.

- (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) New and amended standards adopted by the Group:

The Group adopted the following new standard and amendment to standards that are mandatory for the first time for the financial year beginning January 1, 2013:

- IAS 1 (Amendment) “Presentation of financial statements”.
- IFRS 10 “Consolidated financial statements”.
- IFRS 11 “Joint arrangements”.
- IFRS 12 “Disclosure of interests in other entities”.
- IFRS 13 “Fair value measurements”.
- IAS 27 (Revised 2011) “Separate financial statement”.
- IAS 28 (Revised 2011) “Associates and joint ventures”.
- IAS 32 (Amendment) “Financial instruments: Presentation”.
- IFRS 7 (Amendment) “Financial instruments: Disclosures-Offsetting financial assets and financial liabilities”.
- IAS 16 (Amendment) “Property, plant and equipment”.
- IAS 34 (Amendment) “Interim financial reporting”.

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

- (c) New standards not effective and not early adopted at January 1, 2013:

IFRS 9, “Financial instruments” which is effective from January 1, 2015 and early adoption is permitted. The Group has already commenced an assessment of the related impact of IFRS 9 to the Group’s financial statements and is not expecting any significant impact to the Group’s financial position and results. There are no other new standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. DIVIDENDS

The Company’s Board of Directors did not recommend the payment of an interim dividend for the six months ended June 30, 2013 (2012: nil).

A dividend of HK\$0.059 per share in respect of the year ended December 31, 2012, amounting to a total dividend of HK\$156,223,000 (equivalent to RMB126,165,000) was approved at the annual general meeting on May 24, 2013 and was paid on June 13, 2013.

5. ESTIMATES

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 consolidated interim 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, 2012.

6. 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 four production sharing contracts ("PSC"): Daan, Moliqing, Miao 3 and Kongnan. 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 from operation.

For the six months ended June 30, 2013:

	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>
Segment revenue	1,302,806	312,892	12,268	–	1,627,966
Purchases, services and others	(108,777)	(54,660)	(5,462)	–	(168,899)
Geological and geophysical expense	–	(5,438)	(53)	–	(5,491)
Depreciation, depletion and amortization	(402,455)	(48,895)	(12,143)	(108)	(463,601)
Taxes other than income taxes (Note 7)	(224,458)	(123,911)	–	–	(348,369)
Employee compensation costs	(48,449)	(23,191)	–	(23,549)	(95,189)
Distribution expenses	(17,056)	–	–	–	(17,056)
General and administrative expenses	(19,168)	(5,563)	(3,877)	(14,347)	(42,955)
Other gains, net	11,441	–	–	8,306	19,747
Profit from operations	493,884	51,234	(9,267)	(29,698)	506,153
Finance income	210	1,245	1,713	62	3,230
Finance cost	(31,937)	(3,439)	(452)	(163,558)	(199,386)
Share of losses of jointly controlled entities	(10,263)	–	(3)	–	(10,266)
Income tax expense	(118,247)	(15,645)	–	–	(133,892)
Net profits/(losses) for the period	333,647	33,395	(8,009)	(193,194)	165,839

6. SEGMENT INFORMATION (Continued)

For the six months ended June 30, 2012:

	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>
Segment revenue	1,539,687	216,325	–	–	1,756,012
Purchases, services and others	(84,484)	(31,507)	–	–	(115,991)
Geological and geophysical expense	–	(791)	–	–	(791)
Depreciation, depletion and amortization	(323,494)	(53,070)	–	(109)	(376,673)
Taxes other than income taxes <i>(Note 7)</i>	(301,111)	(92,577)	–	(30,326)	(424,014)
Employee compensation costs	(77,437)	(21,890)	–	(19,669)	(118,996)
Distribution expenses	(16,620)	–	–	–	(16,620)
General and administrative expenses	(29,981)	(9,914)	(2,428)	(13,195)	(55,518)
Other (losses)/gains, net	(582)	–	–	18,622	18,040
Profit from operations	705,978	6,576	(2,428)	(44,677)	665,449
Finance income	2,815	1,743	–	(874)	3,684
Finance cost	(8,568)	(2,546)	–	(129,990)	(141,104)
Share of profits of jointly controlled entities	–	–	66	–	66
Income tax expense	(184,055)	3,013	–	–	(181,042)
Net profits/(losses) for the period	516,170	8,786	(2,362)	(175,541)	347,053

* *Corporate includes costs incurred which are not directly attributable to oil and gas operations in the PRC, Kazakhstan and USA.*

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 of the Company is measured consistently with that in the condensed 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.

7. TAXES OTHER THAN INCOME TAXES

	Six months ended June 30,	
	2013 RMB'000	2012 RMB'000
PRC		
Special oil levy	217,011	292,715
Others	7,447	8,396
	<u>224,458</u>	<u>301,111</u>
Kazakhstan		
Mineral extraction tax	16,867	13,765
Rent export tax	76,160	55,139
Export duty	20,159	12,021
Property tax	10,157	11,652
Others	568	–
	<u>123,911</u>	<u>92,577</u>
Corporate		
Withholding tax	–	30,326
	<u>348,369</u>	<u>424,014</u>

8. OTHER GAINS, NET

	Six months ended June 30,	
	2013 RMB'000	2012 RMB'000
Gains on oil put option	–	4,286
Gains from changes in fair value of derivative financial liabilities	–	8,499
Consulting service income	8,305	–
Royalty interest income (<i>Note</i>)	5,039	–
Others	6,403	5,255
	<u>19,747</u>	<u>18,040</u>

Note: Pursuant to an interest transfer contract entered into in December 27, 2001 by Pan-China Resources Ltd (“PCR”), a subsidiary of the Company, the Group is entitled to an overriding royalty interest over the oil proceeds from the relevant PSC covering Zhou 13 block in the Daqing Zhaozhou oil field in China at pre-determined rates during and after cost recovery. During the six months ended June 30, 2013, the Group is entitled to receive royalty interest income of RMB5,039,000 (2012: nil).

9. FINANCE INCOME AND COSTS

	Six months ended June 30,	
	2013	2012
	RMB'000	RMB'000
Finance income		
Interest income	<u>3,230</u>	<u>3,684</u>
Finance costs		
Interest expense at coupon rates/bank rates	(165,862)	(124,499)
Unwinding of discounts/up-front and other fees (<i>Note</i>)	<u>(58,798)</u>	<u>(8,096)</u>
	<u>(224,660)</u>	<u>(132,595)</u>
Bank charges	(373)	(1,191)
Exchange gains/(losses)	<u>25,647</u>	<u>(7,318)</u>
	<u>(199,386)</u>	<u>(141,104)</u>
Finance costs — net	<u><u>(196,156)</u></u>	<u><u>(137,420)</u></u>

Note:

For the six months ended June 30, 2013, unwinding of discounts/up-front and other fees represents mainly RMB44.8 million (2012: nil) write off of unamortized transaction costs, and early payment fee in relation to the early repayment of Minsheng Bank loans (*Note 15*).

10. INCOME TAX EXPENSE

	Six months ended June 30,	
	2013	2012
	RMB'000	RMB'000
Current income tax — overseas	120,704	178,101
Deferred income tax	<u>13,188</u>	<u>2,941</u>
	<u><u>133,892</u></u>	<u><u>181,042</u></u>

No Hong Kong profits tax has been provided for as the Group did not have estimated assessable profit subject to profits tax in Hong Kong during the six months ended June 30, 2013 (2012: nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending December 31, 2013 is 45% (2012: 35%). The increase in average annual tax rate is mainly due to higher non tax-deductible expenses relating to interest expenses and unwinding of discounts for the Senior Notes and Minsheng bank loan (*Note 15*).

11. 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 in issue during the six-month period excluding ordinary shares purchased by the trustee and held in trust.

	Six months ended June 30,	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	168,129	347,469
Weighted average number of ordinary shares (thousands)	2,624,629	2,647,237
Earnings per share, Basic (RMB per share)	0.064	0.131

(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,	
	2013	2012
Earnings		
Profit attributable to owners of the Company used to determine diluted earnings per share (RMB'000)	168,129	347,469
Weighted average number of ordinary shares in issue (thousands)		
Adjustments for:	2,624,629	2,647,237
— Share options (thousands)	9,125	17,962
Weighted average number of diluted potential ordinary shares for diluted earnings per share (thousands)	2,633,754	2,665,199
Earnings per share, Diluted (RMB per share)	0.064	0.130

12. TRADE AND OTHER RECEIVABLES

At June 30, 2013, included in trade and other receivables are trade receivables amounting to RMB301,409,000 (December 31, 2012: RMB438,048,000), and their aging analysis is as follows:

	As at	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
0–30 days	298,882	376,538
31–180 days	2,496	61,478
over 180 days	31	32
	<u>301,409</u>	<u>438,048</u>

At June 30, 2013, there are no significant past due trade receivables which are impaired (December 31, 2012: nil).

The Group's trade receivables have credit terms of between 30 days to 60 days.

13. SHARE CAPITAL

	Number of shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At January 1, 2012	2,647,396	17,627	835,709	853,336
Exercise of employees stock options	445	2	665	667
At June 30, 2012 and June 30, 2013	<u>2,647,841</u>	<u>17,629</u>	<u>836,374</u>	<u>854,003</u>

14. TRADE AND OTHER PAYABLES

At June 30, 2013, included in trade and other payables are trade payables amounting to RMB1,081,924,000 (December 31, 2012: RMB1,146,464,000), and their aging analysis is as follows:

	As at	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
< 6 months	724,933	845,264
6 months–1 year	253,836	174,867
1–2 years	77,765	92,208
2–3 years	9,039	19,029
> 3 years	16,351	15,096
	<u>1,081,924</u>	<u>1,146,464</u>

15. BORROWINGS

	As at	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Non-current		
— guaranteed bank loans (<i>Note (a)</i>)	—	860,161
— senior notes payable (<i>Note (c)</i>)	3,627,326	2,467,733
	3,627,326	3,327,894
Current		
— secured bank loans (<i>Note (b)</i>)	—	60,000
— unsecured bank loans (<i>Note (b)</i>)	60,000	—
	60,000	60,000
	3,687,326	3,387,894

Notes:

(a) Loan from Minsheng Bank

At December 31, 2012, guaranteed bank loans of RMB860,161,000 represented US\$80 million (equivalent to RMB489 million) and US\$60 million (equivalent to RMB371 million) drawn down under a US\$80 million term loan and a US\$100 million term loan respectively, both guaranteed by the Company. Under the US\$100 million term loan, the Company had agreed to secure part of the loan with a pledge of the Group's entitlement under the Moliqing PSC and a charge over bank accounts of MI Energy Corporation ("MIE"), a subsidiary of the Group, with Minsheng Bank. On March 19, 2013, all outstanding balance under these two loans was repaid in full by the Group.

(b) Loan from China Construction Bank ("CCB")

In July 2012, the Group obtained a 6-months working capital loan amounting to RMB60 million from CCB which was secured by a pledge of the Company's entitlement to the sales income from Moliqing and Miao 3 oilfields. All outstanding balance under this loan agreement was fully repaid in January 2013.

On January 25, 2013, the Company entered into a facility agreement for a new RMB60 million working capital loan for 6-months commencing on January 25, 2013. The interest rate is the base rate as published by the People's Bank of China at 5.6% per annum plus 15% of the base rate and the resulting effective interest rate is 6.44% per annum. The loan is guaranteed by two subsidiaries of the Company.

In July 2013, the Group repaid all outstanding balance upon expiration of the January CCB facility agreement and a new 6-month facility agreement for RMB60 million working capital loan with identical terms was entered into by and between CCB and the Group.

15. BORROWINGS (Continued)

(c) Senior notes

At June 30, 2013, the Group has the following Senior Notes outstanding:

	Coupon rate	Due date	As at	
			June 30, 2013 RMB'000	December 31, 2012 RMB'000
2016 Notes	9.75%	May 12, 2016	2,424,579	2,467,733
2018 Notes	6.875%	February 6, 2018	1,202,747	–
			<u>3,627,326</u>	<u>2,467,733</u>

On May 12, 2011, the Company issued US\$400,000,000 senior notes due 2016 (“the 2016 Notes”). The 2016 Notes bear a coupon rate of 9.75% per annum, payable semi-annually in arrears on May 12 and November 12 annually. The net proceeds, after deduction of underwriting fees, discounts and commissions and other expenses amounted to approximately US\$390 million (equivalent to RMB2,535 million). A portion of the proceeds from the issuance of the 2016 Notes was used to repay in full US\$200 million MIE’s credit facility with CITIC Bank. The remaining proceeds will be used for capital expenditures, working capital and general corporate purposes of the Group.

On February 6, 2013, the Company issued US\$200 million senior notes due 2018 (the “2018 Notes”). The 2018 Notes bear coupon rate of 6.875% per annum, payable semi-annually in arrears on February 6 and August 6 annually. The net proceeds, after deduction of discounts, fees, commissions and other expenses, amounted to approximately US\$195 million (equivalent to RMB1,222 million). A substantial portion of the proceeds from the 2018 Notes was used to repay all of existing indebtedness of the Company’s subsidiary, MIE, to Minsheng Bank (Note 15(a)). The remaining proceeds was used for capital expenditures, working capital and general corporate purposes of the Group.

The 2016 Notes and 2018 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 2016 Notes and 2018 Notes, respectively.

The Senior Notes and the guarantees provided by the 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. In addition, the 2016 Notes are secured by capital stock of certain subsidiaries of the Company.

At any time on or after May 12, 2014 and February 6, 2016, the Company may redeem the 2016 Notes and 2018 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 May 12 and February 6, respectively, of any year set forth below:

	Redemption Price
2016 Notes:	
2014	104.8750%
2015	102.4375%
2018 Notes:	
2016	103.4375%
2017	101.7188%

15. BORROWINGS (Continued)

(c) Senior notes (Continued)

At any time prior to May 12, 2014 and February 6, 2016, the Company may at its option redeem the 2016 Notes and the 2018 Notes, respectively, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes and 2018 Notes, respectively, plus the applicable premium and accrued and unpaid interest to the redemption date.

In addition, at any time prior to May 12, 2014 and February 6, 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2016 Notes and the 2018 Notes, respectively, 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 109.75% and 106.875% of the principal amount of the 2016 Notes and 2018 Notes, respectively, plus accrued and unpaid interest to the redemption date, provided that at least 65% of the aggregate principal amount of the 2016 Notes and 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.

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

Movements in borrowings and their effective interest rate at balance sheet date are summarized as follows:

	Minsheng Bank <i>RMB'000</i>	CCB <i>RMB'000</i>	Senior Notes <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amounts as at				
January 1, 2013	860,161	60,000	2,467,733	3,387,894
Issuance of the 2018 Notes	–	–	1,221,847	1,221,847
Drawdown	–	60,000	–	60,000
Repayments	(878,612)	(60,000)	–	(938,612)
Unwinding of discounts	19,778	–	8,039	27,817
Exchange differences	(1,327)	–	(70,293)	(71,620)
	<u>–</u>	<u>60,000</u>	<u>3,627,326</u>	<u>3,687,326</u>
Carrying amounts as at June 30, 2013	<u>–</u>	<u>60,000</u>	<u>3,627,326</u>	<u>3,687,326</u>
Effective interest rate:				
As at June 30, 2013	–	6.44%	7.83% to 10.91%	6.44% to 10.91%
As at December 31, 2012	<u>9.05% to 9.61%</u>	<u>6.44%</u>	<u>10.91%</u>	<u>6.44% to 10.91%</u>

16. COMMITMENTS AND CONTINGENCIES

(a) Commitments

- (i) The Group has operating lease commitment related to its non-cancellation operating lease for offices. The future aggregate minimum lease payments under these operating leases are as follows:

	As at	
	June 30, 2013 <i>RMB'000</i>	December 31, 2012 <i>RMB'000</i>
<1 year	7,082	5,044
1–2 year	3,434	2,843
2–5 year	190	1,853
	10,706	9,740
	10,706	9,740

- (ii) According to the production contracts for four blocks in Kazakhstan, the Group is obligated to perform minimum work program during the life of the production contracts. Set out below is the commitments for the minimum work program:

	As at	
	June 30, 2013 <i>RMB'000</i>	December 31, 2012 <i>RMB'000</i>
<1 year	515,254	514,249
1–2 year	414,931	412,856
2–5 year	1,889,319	1,377,279
>5 year	5,460,860	5,955,974
	8,280,364	8,260,358
	8,280,364	8,260,358

- (iii) Sino Gas and Energy Limited (“SGE”) commitment

The Group has a commitment to provide funding of up to US\$84.5 million, if called by SGE, a jointly controlled entity of the Group, in accordance with the 2013 annual budget approved by SGE board in April 2013. For the six months ended June 30, 2013, US\$7.8 million has been funded to SGE.

(b) Contingencies

On August 28, 2000, MIE entered into a PSC with Sinopec for exploration and development of Luojiayi 64 block at Shengli oilfield in Shandong Province. In 2000, MIE began the trial-development phase of its operations at Luojiayi 64 block at Shengli 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 Shengli. 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 US\$2 million under the PSC. MIE believes its investment in the project at Luojiayi 64 block at Shengli oilfield had met the required commitment amount under the PSC. As of the date this financial information is approved, the PSC with Sinopec has not been formally terminated and the dispute has not entered any judicial proceedings.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operating Results

Six-Month Period Ended June 30, 2013 Compared to Six-Month Period Ended June 30, 2012

Revenue

Our revenue decreased by RMB128.0 million, or 7.3%, from RMB1,756.0 million for the six-month period ended June 30, 2012 to RMB1,628.0 million for the six-month period ended June 30, 2013.

This decrease was due to the decrease in the crude oil prices although the Group's overall sales volumes have increased over the same period. Average realized oil price was US\$99.18 per barrel for the six-month period ended June 30, 2013, compared to US\$114.61 per barrel for the six-month period ended June 30, 2012. The Group's net total crude oil sales volume was 2.62 million barrels for the six-month period ended June 30, 2013, compared to 2.42 million barrels for the six-month period ended June 30, 2012. The increase in sales volume is consistent with the trend in the Group's production volume.

- **China**

In the six-month period ended June 30, 2013, our China oil fields realized revenue of RMB1,302.8 million. The average realized oil price was US\$105.59 per barrel for the six-month period ended June 30, 2013, compared to US\$119.61 per barrel for the six-month period ended June 30, 2012. Our sales volume was 1.98 million barrels for the six-month period ended June 30, 2013, compared to 2.04 million barrels for the six-month period ended June 30, 2012. Since we acquired PCR in December 2012, PCR's results are included in the Group's results for the six-month period ended June 30, 2013.

For the six-month period ended June 30, 2013, the revenue for our PCR operations amounted to RMB111.6 million, average realized oil price was US\$106.94 per barrel and sales volume was 0.2 million barrels.

- **Kazakhstan**

During the six-month period ended June 30, 2013, Emir-Oil realized revenue from oil sales of RMB306.0 million, compared to RMB210.6 million during the six-month period ended June 30, 2012. The increase in revenue was primarily due to increasing of sales volumes which increased from 380,288 barrels for the six-month period ended June 30, 2012 (comprising 360,859 barrels from export sales and 19,429 barrels from domestic sales) to 620,606 barrels for the six-month period ended June 30, 2013 (comprising 526,588 barrels from export sales and 94,018 barrels from domestic sales). This increase was partially offset by decrease of oil price resulted from: (i) Brent oil price decreased during 2013 and (ii) proportion of exported sales volumes decreased from 95% to 85%. Emir-Oil exported its sales volume of oil through Titan Oil and realized prices based on Brent less transportation and marketing commissions for these sales.

The average realized oil price for the six-month period ended June 30, 2013 was US\$85.73 per barrel from export sales (after transportation and marketing commissions of US\$20.51 per barrel) and US\$41.98 per barrel from domestic sales. The average realized oil price for the six-month period ended June 30, 2012 was US\$89.64 per barrel from export sales (after transportation and marketing commissions of US\$21.21 per barrel) and US\$53.87 per barrel from domestic sales.

During the six-month period ended June 30, 2013, Emir-Oil realized revenue from gas sales of RMB6.9 million with a realized gas price of US\$1.35 per Mscf and total gas sales volume of 815,059 Mscf. During the six-month period ended June 30, 2012, Emir-Oil realized revenue from gas sales of RMB5.7 million with a realized gas price of US\$1.15 per Mscf and a gas sales volume of 795,424 Mscf.

- **USA**

In the six-month period ended June 30, 2013, our USA oil fields realized revenue from crude oil sales of RMB11.7 million. The average realized oil price was US\$90.15 per barrel for the six-month period ended June 30, 2013. Our sales volume was 0.02 million barrels for the six-month period ended June 30, 2013. There were no sales recorded from our USA operation in the six-month period ended June 30, 2012.

During the six-month period ended June 30, 2013, USA operation realized revenue from gas sales of RMB0.5 million with a realized gas price of US\$6.54 per Mscf and total gas sales volume of 12,779 Mscf.

Operating expenses

The Group's operating expenses increased by RMB31.2 million, or 2.9%, from RMB1,090.6 million for the six-month period ended June 30, 2012 to RMB1,121.8 million for the six-month period ended June 30, 2013, which was primarily due to an increase in depreciation, depletion, amortization, purchases, services and other expenses, and geological and geophysical expense.

For the six months ended June 30, 2013, the operating expenses for our China, Kazakhstan and USA operations amounted to RMB808.9 million, RMB261.7 million and RMB21.5 million respectively.

- Purchases, services and other expenses.* Our purchases, services and other expenses increased by RMB52.9 million, or 45.6%, from RMB116.0 million for the six-month period ended June 30, 2012 to RMB168.9 million for the six-month period ended June 30, 2013. The increase in purchase, services and other expenses was primarily due to: (i) crude oil sales volumes of Emir-Oil increased from 380,288 barrels for the six-month period ended June 30, 2012 to 620,606 barrels for the six-month period ended June 30, 2013 leading to increase of purchases, services and other expenses by Emir-Oil by RMB23.2 million; (ii) the acquisition of PCR in December 2012, and accordingly the results for the period ended June 30, 2013 included six months of PCR's purchases, services and other expenses amounting to RMB18.2 million; (iii) purchases, services and other expenses of Condor of our USA operation commenced sale of crude oil in the second half of 2012 and incurred RMB5.5 million for six-month period ended June 30, 2013; (iv) more research and development expenses for China and Kazakhstan oil fields of RMB18.8 million incurred for six-month period ended June 30, 2013.
- Employee compensation costs.* The Group's employee compensation costs decreased by RMB23.8 million, or 20.0%, from RMB119.0 million for the six-month period ended June 30, 2012 to RMB95.2 million for the six-month period ended June 30, 2013. The decrease in employee compensation costs was primarily due to share-based compensation expenses including option and SAR decreased by RMB31.3 million which is partially offset by PCR's employee compensation costs for the six-month period ended June 30, 2013 amounting to RMB7.2 million since we acquired PCR in December 2012.
- Depreciation, depletion and amortization.* The Group's depreciation, depletion and amortization increased by RMB86.9 million, or 23.1%, from RMB376.7 million for the six-month period ended June 30, 2012 to RMB463.6 million for the six-month period ended June 30, 2013. The increase in depreciation, depletion and amortization was mainly due to: (i) higher unit of production rate as a result of the adjustment in proved and probable developed producing reserves in China oilfields as per the 2012 year end reserve report by third party consultant; (ii) the acquisition of PCR in December 2012, and accordingly the results for the period ended June 30, 2013 included PCR's depreciation, depletion and amortization amounting to RMB33.3 million; and (iii) the increase in sales volumes in 2013.
- Distribution and administrative expenses.* The Group's distribution and administrative expenses decreased by RMB12.1 million, or 16.8%, from RMB72.1 million for the six-month period ended June 30, 2012 to RMB60.0 million for the six-month period ended June 30, 2013. The decrease in distribution and administrative expenses was primarily due to: (i) we incurred less expenses in our Kazakhstan operation and China operation due to more cost control measures are taken in the six-month period ended June 30, 2013 and (ii) compared to the six-month period ended June 30, 2012, for our PSC oilfields in Northeast China, more crude oil was allocated to the foreign contractors at 48% compared to 80% as our investments in the oilfields decreased, so we borne less administrative expenses for these three oilfields in the six-month period ended June 30, 2013.

- *Taxes other than income taxes.* The Group's taxes other than income taxes decreased by RMB75.6 million, or 17.8% from RMB424.0million for the six-month period ended June 30, 2012 to RMB348.4 million for the six-month period ended June 30, 2013. The following table summarizes taxes other than income taxes for the six month period ended June 30, 2013 and June 30, 2012:

	Six-Month Period Ended	
	June 30,	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
PRC		
Special oil levy	217,011	292,715
Others	7,447	8,396
	<u>224,458</u>	<u>301,111</u>
Kazakhstan		
Mineral extraction tax	16,867	13,765
Rent export tax	76,160	55,139
Export duty	20,159	12,021
Property tax	10,157	11,652
Others	568	–
	<u>123,911</u>	<u>92,577</u>
Corporate		
Withholding tax	–	30,326
	<u>348,369</u>	<u>424,014</u>

This decrease in taxes other than income taxes for our China operations was primarily due to decrease in average realized oil price which accordingly resulted in less special oil gain levy and other oil price related taxes. The average realized oil price decreased from US\$119.61 per barrel for the six months ended June 30, 2012 to US\$105.59 per barrel for the six months ended June 30, 2013. The special oil levy is calculated according to five progressive levels and valorem rates on the excess amounts of the realized crude oil price. The special oil levy is calculated on a monthly basis and paid on a quarterly basis.

During the six months ended June 30, 2013, Emir-Oil's taxes other than income taxes amounted to RMB123.9 million which increased by RMB31.3 million, or 33.8% compared to that RMB92.6 million during the six months ended June 30, 2012. This increase in taxes other than income taxes for our Kazakhstan operation was primarily due to: (i) the increase in sales volumes which is partially offset by decrease in average realized oil price;(ii) export duty increased from US\$40 per metric ton to US\$60 per metric ton with effect from April 2013.

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

Rent Export Tax

Rent export tax is payable on export oil and is calculated based on world prices for crude oil. Rent export tax rate depends on export price for crude oil and can be 0% if export price is less than US\$40 per barrel or up to 32% if export price is higher than US\$190 per barrel.

Mineral Extraction Tax (“MET”)

MET is payable at a rate of 5% for export oil and 2.5% on domestic oil. MET for export oil is calculated at 5% based on (barrels of oil produced less barrels of domestic oil and barrels of internally consumed oil) multiplied by average world price per barrel. MET for domestic oil is calculated at 2.5% based on barrels of domestic oil multiplied by production cost per barrel multiplied by 120%.

Export Duty

Export duty is payable on export oil and calculated as US\$40 per metric tonne or US\$5.35 per barrel multiplied by volume of export oil sales. From April 12, 2013, this duty increased to US\$60 per metric tonne.

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 represents accrual of Kazakhstan withholding tax on interest charged on intercompany loans.

During the six months ended June 30, 2013, PCR’s taxes other than income taxes amounted to RMB0.9 million.

- *Other gains, net.* The Group had other gains of RMB19.7 million for the six-month period ended June 30, 2013, compared to other gains of RMB18.0 million for the six-month period ended June 30, 2012. Other gains for the six-month period ended June 30, 2013 arose primarily from consulting fee income for management, operating and technical support to a Kazakhstan oilfield of RMB8.3 million and royalty interest income received by PCR for its royalty interest in Zhou 13 block in Daqing of RMB5.0 million.

Profit from operations. The Group’s profit from operations decreased by RMB159.2 million, or 23.9%, from RMB665.4 million for the six-month period ended June 30, 2012 to RMB506.2 million for the six-month period ended June 30, 2013. This change was primarily due to a decrease in revenue and an increase in operating expenses.

During the six months ended June 30, 2013, the China operations and Kazakhstan operations generated profit from operations of RMB493.9 million and RMB51.2 million, respectively. However loss from our USA operation was RMB9.3 million.

Finance income/(costs), net. The Group's finance cost, net, increased by RMB58.8 million, or 42.8%, from RMB137.4 million for the six-month period ended June 30, 2012 to RMB196.2 million for the six-month period ended June 30, 2013. This increase was primarily due to finance cost of RMB199.4 million for the period ended June 30, 2013 compared to RMB141.1 million for the period ended June 30, 2012. This was mainly due to: (i) the US\$200 million 5-year senior notes issued in February 2013 with 6.875% annual coupon rate to repay the US\$60 million and US\$80 million Minsheng bank loans, resulting in write-off of unamortized transaction costs and early payment fee in relation to the early repayment of Minsheng Bank loans of RMB44.8 million; (ii) interest expense on US\$200 million notes of RMB36.0 million, including interest expense at coupon rate of RMB33.8 million and amortization of transaction costs of RMB2.2 million; and (iii) interest expense on Minsheng bank loans at bank rate of RMB8.8 million, offset by exchange gains of RMB25.6 million for six-month period ended June 30, 2013 as a result of the appreciation of the Renminbi against the US dollar from our China operation in 2013. Finance income is RMB3.2 million for the six-month period ended June 30, 2013 compared to RMB3.7 million for the six-month period ended June 30, 2012.

Profit before income tax. The Group's profit before income tax decreased by RMB228.4 million, or 43.2%, from RMB528.1 million for the six-month period ended June 30, 2012 to RMB299.7 million for the six-month period ended June 30, 2013. This decrease was primarily due to the cumulative effects of the above factors.

During the six months ended June 30, 2013, the China, Kazakhstan and USA operations generated profit before income tax of RMB451.9 million, RMB49.0 million and a loss before income tax of RMB8.0 million, respectively.

Income tax expense. The Group had income tax expense of RMB133.9 million for the six-month period ended June 30, 2013, compared to income tax expense of RMB181.0 million for the six-month period ended June 30, 2012. This change was primarily due to a decrease in our taxable income. The effective tax rate for the six months ended June 30, 2013 is 45% compared to an effective tax rate for the six months ended June 30, 2012 of 34%. The increase in effective tax rate is mainly due to non-deductible interest expenses relating to the US\$200 million 5-year senior notes issued in February 2013, share of loss of SGE and Condor, and other expenses incurred by non-operating members of the Group.

Net profit. As a result of the foregoing, our net profit decreased by RMB181.3 million, or 52.2% from RMB347.1 million for the six-month period ended June 30, 2012 to RMB165.8 million for the six-month period ended June 30, 2013.

EBITDA AND ADJUSTED EBITDA

We provide a reconciliation of EBITDA and adjusted EBITDA to net profit for the year, 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, gain/loss on the oil put option, write-off of inventory, loss on disposal of property, plant and equipment, geological and geophysical expense 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, cashflow 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 net profit for each period indicated.

	Six-Month Period Ended	
	June 30,	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit for the period	165,839	347,053
Income tax expenses	133,892	181,042
Finance income	(3,230)	(3,684)
Finance cost	199,386	141,104
Depreciation, depletion and amortization	463,601	376,673
	959,488	1,042,188
EBITDA	959,488	1,042,188
Share-based compensation expenses	816	32,120
Impairment of inventory	477	260
Geological and geophysical expense	5,491	791
(Gain)/loss on oil put option	–	(4,286)
Loss on disposal of property, plant and equipment	26	26
Gain from changes of fair value of option to ACAP	–	(8,499)
Adjusted EBITDA	966,298	1,062,600

The Group's EBITDA decreased by approximately RMB82.7 million, or 7.9%, from approximately RMB1,042.2 million for the six-month ended June 30, 2012 to approximately RMB959.5 million for the six-month ended June 30, 2013. The decrease was primarily due to the decrease in realized oil price.

The Group's adjusted EBITDA decreased by approximately RMB96.3 million, or 9.1%, from approximately RMB1,062.6 million for the six-month ended June 30, 2012 to approximately RMB966.3 million for the six-month ended June 30, 2013. The decrease in adjusted EBITDA was also primarily due to the decrease in realized oil price.

The Group's EBITDA and Adjusted EBITDA by operating segment for the six months ended June 30, 2013 are out below:

	Six-Month Period Ended June 30, 2013				
	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>
Net profit for the period	333,647	33,395	(8,009)	(193,194)	165,839
Income tax expenses	118,247	15,645	–	–	133,892
Finance income	(210)	(1,245)	(1,713)	(62)	(3,230)
Finance cost	31,937	3,439	452	163,558	199,386
Depreciation, depletion and amortization	402,455	48,895	12,143	108	463,601
EBITDA	<u>886,076</u>	<u>100,129</u>	<u>2,873</u>	<u>(29,590)</u>	<u>959,488</u>
Share-based compensation expenses	(1,802)	520	–	2,098	816
Impairment of inventory	–	477	–	–	477
Geological and geophysical expense	–	5,438	53	–	5,491
Loss on disposal of property, plant and equipment	–	26	–	–	26
Adjusted EBITDA	<u><u>884,274</u></u>	<u><u>106,590</u></u>	<u><u>2,926</u></u>	<u><u>(27,492)</u></u>	<u><u>966,298</u></u>

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, 2013, the Company had 2,563 employees, with 2,204 based in China, 355 based in Kazakhstan and 4 based in USA. There have been no material changes to the information disclosed in the Annual Report 2012 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 US\$2 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.

Share Award Scheme

To supplement the 2009 Stock Incentive Compensation Plan (the "Plan") in respect the operation of the share appreciation rights, the board of the Company resolved to adopt a share award scheme ("Share Award Scheme") on May 30, 2012 ("Adoption Date"), pursuant to which the Company granted to selected grantees who are persons holding SARs under the Plan, such number of Awarded Shares as is equal to the number of outstanding notional shares to which the SAR of the selected grantees relates.

According to the Share Award Scheme, shares of up to 44,415,800 of the Company will be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the benefit of the selected grantees pending the exercise of the SARs. Upon exercise of the SAR by the selected grantees, the trustee will sell the Awarded Shares to which the SAR so exercised relates and pay the selected grantees in satisfaction of the Company's payment obligations in relation to the SAR under the Plan. Unless early terminated by the board of the Company, the Share Award Scheme shall continue in full force and effect from the Adoption Date until the date when all the SARs are exercised, terminated or expired.

During the period under review, the trustee has acquired 36,692,000 Award Shares through purchases from the market at an aggregate consideration of HK\$2,482,000 (including transaction costs). During the same period, the trustee sold 2,349,000 Awarded Shares upon exercise of SARs so exercised by certain grantees.

DIVIDEND

The Board has resolved that no interim dividend will be paid for the six months ended June 30, 2013.

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 results for the six months ended June 30, 2013 are unaudited, but have 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" ("ISRE 2410") issued by the International Auditing and Assurance Standards Board ("IAASB").

PURCHASE, DISPOSAL OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in the paragraph headed "Share Award Scheme", neither the Company nor any of its subsidiaries purchased, disposed of or redeemed any of the Company's listed securities for the six months ended June 30, 2013.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Listing Rules.

The Company has complied with the code provisions of the CG Code throughout the period from January 1, 2013 to June 30, 2013, except for Code Provisions A.2.1 and A.6.7 as explained below.

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of the 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.

Code Provision A.6.7

Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

At the annual general meeting of the Company held on May 24, 2013 (the “2013 AGM”), Mr. Wang Sing (the non-executive director), Mr. Jeffrey W. Miller (chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee) and Mr. Cai Rucheng (member of the Audit Committee, the Remuneration Committee and the Nomination Committee) were unable to attend the 2013 AGM due to their other important engagements at the relevant time. They will use their best endeavours to attend all future shareholder meetings of the Company.

In order to ensure smooth holding of the 2013 AGM, Mr. Zhang, Mr. Zhao Jiangwei (the executive director), Mr. Allen Mak (the former executive director) and Mr. Tsang Chi Kin (the former alternate director to Mr. Wang Sing, the non-executive director) attended the 2013 AGM.

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, 2013. 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, 2012, 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, 2013 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, 2013

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei, Mr. Andrew Sherwood Harper and Mr. Tao Tak Yin Dexter; (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.