MIE HOLDINGS CORPORATION
MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

(1) INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND (2) CONTINUED SUSPENSION OF TRADING

SUMMARY OF OPERATIONAL AND FINANCIAL PERFORMANCE

	Six months ended June 30,			
	2023	2022	**Change**	**% Change**
Average realized price of crude oil *(US$ per barrel)*	**76.72**	94.75	(18.03)	(19.0%)
Average realized price of natural gas *(US$ per Mscf)*	**6.13**	6.57	(0.44)	(6.7%)
Gross production of crude oil *(million barrels)*	**2.71**	2.57	0.14	5.4%
Net production of crude oil *(million barrels)*	**0.99**	1.16	(0.17)	(14.7%)
Net sales of crude oil *(million barrels)*	**0.96**	1.16	(0.20)	(17.2%)
Average daily net crude oil production *(barrels)*	**5,472**	6,416	(944)	(14.7%)
Wells drilled during the period *(Gross)*	**16**	43	(27)	(62.8%)
Revenue *(RMB'000)*	**511,829**	710,700	(198,871)	(28.0%)
(Loss)/profit for the period *(RMB'000)*	**(60,508)**	2,456,898	(2,517,406)	N/A
Basic (loss)/profit per share *(RMB per share)*	**(0.02)**	0.75	(0.77)	N/A
EBITDA *(RMB'000)*	**354,046**	3,064,393	(2,710,347)	(88.4%)
Adjusted EBITDA *(RMB'000)*	**340,270**	460,218	(119,948)	(26.1%)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	*4*	**511,829**	710,700
Depreciation, depletion and amortization		**(183,043)**	(188,057)
Taxes other than income taxes	*5*	**(19,654)**	(72,928)
Employee benefit expenses		**(47,251)**	(48,613)
Purchases, services and other direct costs		**(106,293)**	(131,258)
Gains from the Debt Restructuring Plans	*6*	**–**	2,556,615
Other gains/(losses), net		**15,415**	49,877
Interest and other income		**88**	36
Finance costs		**(192,385)**	(349,867)
(Loss)/profit before income tax		**(21,294)**	2,526,505
Income tax expense	*7*	**(39,214)**	(69,607)
(Loss)/profit attributable to owners of the Company for the period		**(60,508)**	2,456,898

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

		Six months ended June 30,	
		2023	2022
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**(44,824)**	(58,980)
Items that will not be reclassified to profit or loss			
Change in the fair value of equity investments at fair value through other comprehensive income ("FVOCI"), net of tax		**–**	–
Exchange differences arising on translation of presentation currency		**(33,677)**	(69,410)
Other comprehensive income for the period, net of tax		**(78,501)**	(128,390)
Total comprehensive income attributable to the owners of the Company for the period		**(139,009)**	2,328,508
(Loss)/earning per share for (loss)/profit attributable to ordinary equity holders of the Company for the period (expressed in RMB per share)			
— Basic	*8*	**(0.02)**	0.75
— Diluted	*8*	**(0.02)**	0.74

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**1,467,081**	1,575,516
Intangible assets		**37,584**	42,459
Right-of-use assets		**5,914**	5,599
Financial assets at FVOCI		**8,490**	8,183
Prepayments, deposits and other receivables		**546**	982
Restricted cash		**105,291**	87,171
Total non-current assets		**1,624,906**	1,719,910
Current assets			
Inventories		**32,712**	16,385
Prepayments, deposits and other receivables		**36,314**	38,594
Trade receivables	*10*	**89,737**	111,876
Restricted cash		**7,029**	9,168
Cash and cash equivalents		**55,609**	120,342
		221,401	296,365
Assets of disposal group classified as held for sale	*13*	**440,609**	415,889
Total current assets		**662,010**	712,254
Total assets		**2,286,916**	2,432,164
Equity			
Equity attributable to owners of the Company			
Share capital and share premium		**1,108,175**	1,108,175
Reserves		**(2,967,408)**	(2,828,399)
Total shareholders' deficit		**(1,859,233)**	(1,720,224)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	**As at June 30, 2023** *RMB'000* **(Unaudited)**	As at December 31, 2022 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Borrowings	*12*	**2,386,280**	2,411,520
Lease liabilities		**2,756**	2,078
Deferred income tax liabilities		**190,425**	215,267
Trade payables	*11*	**90,663**	85,824
Provisions, accruals and other payables		**207,699**	189,754
Total non-current liabilities		**2,877,823**	2,904,443
Current liabilities			
Trade payables	*11*	**259,748**	353,548
Provisions, accruals and other payables		**148,149**	161,095
Lease liabilities		**3,735**	4,274
Current income tax liabilities		**39,760**	68,605
Borrowings	*12*	**813,649**	642,711
		1,265,041	1,230,233
Liabilities of disposal group classified as held for sale	*13*	**3,285**	17,712
Total current liabilities		**1,268,326**	1,247,945
Total liabilities		**4,146,149**	4,152,388
Total shareholders' deficit and liabilities		**2,286,916**	2,432,164
Net current liabilities		**606,316**	535,691
Total assets less current liabilities		**1,018,590**	1,184,219

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

MIE Holdings Corporation (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Maples Corporate Services Limited, P.O. Box 309 Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Company and its subsidiaries (together, the “Group”) are principally engaged in the exploration, development, production and sale of crude oil in the People’s Republic of China (the “PRC” or “China”) under production sharing contracts (the “PSCs”).

On January 20, 2022, the Group entered into an agreement with Hammer Capital Asia Limited, an independent party, and also one of the lenders to the Group, for the sale (the “Disposal”) of the Group’s 40% equity interest in Palaeontol B.V. (“PBV”) which owns the entire equity interest in Emir-Oil LLP, a company registered in Kazakhstan and primarily engaged in the exploration, development, production and sale of petroleum and other petroleum products in Kazakhstan, and certain receivables related to this associate. On June 24, 2022, an extraordinary general meeting was held by the Company and the Disposal set out in the agreement has been voted and approved by the shareholders of the Company. Further information about the Disposal is set out in Note 13.

On March 30, 2022, the Group completed the Debt Restructuring Plans, the details of which are set out in Note 12.

On November 18, 2022, the Group entered into an agreement with Reliant Honor International Holdings Corporation, an independent third party, for the sale of the Group’s 10% foreign contractors’ interest in Moliqing PSC at a consideration of US$5.0 million (equivalent to approximately HK$39.3 million). Upon completion of the transaction, the Group will no longer hold any rights and interests in the Moliqing PSC. Further information about the Disposal is set out in Note 13.

By the end of the year 2022, the Group has fulfilled the requirements for a minimum number of new wells drilled in the Daan oilfield as agreed with China National Petroleum Corporation (the “CNPC”) within a period of three years from June 2020 in order to achieve the condition to extend the expiry date of the Daan PSC with CNPC from December 31, 2024 to February 29, 2028. The Group has obtained approval from CNPC on February 24, 2023.

As at June 30, 2023, the Group is indirectly controlled by Far East Energy Limited (“FEEL”), which owns 43.39% of the Company’s shares and is also the ultimate holding company of the Group. FEEL is a limited liability company incorporated in Hong Kong and its ultimate beneficial owners are Mr. Zhang Ruilin, Mr. Zhao Jiangwei and Ms. Zhao Jiangbo (“Mrs. Zhang”, Mr. Zhang Ruilin’s spouse). The controlling shareholder of the ultimate holding company is Mr. Zhang Ruilin.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since December 14, 2010.

The condensed interim consolidated financial information is presented in Chinese Renminbi (“RMB”) unless otherwise stated. The condensed interim consolidated financial information has been approved and authorized for issue by the board of directors of the Company (the “Board of Directors”) on November 29, 2023.

This condensed interim consolidated financial information has been reviewed by the Audit Committee of the Company but has not been reviewed or audited by the Company’s auditor.

2. BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting".

The condensed interim consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this announcement is to be read in conjunction with the annual financial report for the year ended December 31, 2022 and any public announcements made by the Company during the interim reporting period.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as the "IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Non-compliance relating to a guarantee provided by a subsidiary of the Company ("Matter A")

During the year, it was found that Gobi Energy Limited ("Gobi Energy"), a subsidiary of the Company provided a joint and several guarantee in 2016 ("Guarantee") for the chairman of the Board, Mr. Zhang's repayment obligations, including the loan principal and relevant interest. The details were set out in the announcement made by the Company on February 27, 2023. The Guarantee was released upon the fulfillment of Mr. Zhang's repayment obligations in May 2021.

At the times of entering into such Guarantee, Mr. Zhang was an executive Director and substantial Shareholder, therefore, pursuant to Chapter 14 of the Listing Rules, Mr. Zhang was a connected person of the Company. No fee was charged and no security was taken by the Group in relation to the provision of the Guarantee. The Board of Directors believed that the Guarantee would constitute a notifiable and connected transaction of the Group under the Listing Rules, and should have been subject to the reporting, announcement, circular and independent Shareholders' approval requirements. The provision of the Guarantee also constituted a related party transaction under IASs and should have been accounted for in Group's prior periods consolidated financial statements.

Repayments of loan on behalf of Mr. Zhang ("Matter B")

As disclosed in the announcement made by the Company on February 27, 2023, it was mentioned in a civil judgement issued by the Huai'an Intermediate People's Court of Jiangsu Province in the PRC that Camel Oil and Gas Technology Service (Tianjin) Co., Ltd ("Camel Oil"), a subsidiary of the Company issued a confirmation statement ("Statement") for a loan repayment of RMB10.0 million to a supplier on behalf of Mr. Zhang in 2017 (the "Alleged Payment"). The Alleged Payment was not recorded in the books of Camel Oil, but a payment of RMB10.0 million by Camel Oil to the supplier was recorded in its books and records in 2017 as a deposit for an asset purchase agreement with the supplier. Such amount was subsequently provided for and written off by Camel Oil.

Investigation Review

With the recommendation of the audit committee ("AC") of the Company, an independent investigation committee (the "IIC"), comprising all independent non-executive directors, was established on February 8, 2023 and the AC and IIC engaged BT Corporate Governance Limited as the independent consultant (the "Independent Consultant") to assist with and conduct an investigation on the Guarantee, the Alleged Payment and other related matters including the internal control deficiencies of the Group (the "Investigation Review").

The first phase and second phase of Investigation Review were completed on September 13, 2023 and October 11, 2023 respectively. The scope, major procedures, findings and limitation of the Independent Review was set out in the announcements made by the Company on September 18, 2023 and October 12, 2023.

With the assistance of Investigation Consultant and their findings on the Investigation Review, the IIC come to the following conclusions:

Matter A

The IIC assents to the findings of Investigation Review, with which the AC and the management of the Company concurred, that the entering into of the Guarantee by Gobi Energy constituted non-compliance under the Listing Rules and this non-compliance arose from insufficient internal communication and certain internal control deficiencies of the Group. Considering that (i) the Guarantee had been released when the relevant loan was repaid in full; and (ii) there was no other evidence found by the Investigation Consultant that the Group had provided any other guarantees or other forms of credit enhancement including collaterals and pledge of assets at all material times for the years ended December 31, 2021 and 2022, the management of the Company is of view that the consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 have been prepared in accordance with the disclosure requirements of IFRSs.

Matter B

Based on findings of the Investigation Review, the IIC is of the view that the Statement was mistakenly prepared and approved by the relevant personnel of Camel Oil in 2021, without verifying its contents or cross-checking against supporting documents. There was nothing to suggest that the related assets purchase agreement was not genuine nor without commercial substance. The management is of the view that the deposits of RMB10.0 million made by Camel Oil to the supplier and the subsequent write-off was properly accounted for in the prior periods consolidated financial statements of the Group.

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below and assets held for sale that are measured at the lower of carrying amount and fair value less costs to sell.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

2.3 Going concern assumption

In recent years, the Group's performance was significantly affected by the high borrowing costs associated with general funding and re-financing activities and the volatility of the price of crude oil. During the six months ended June 30, 2023, the Group incurred a loss of RMB60.5 million. As at June 30, 2023, the Group's current liabilities exceeded its current assets by RMB606.3 million and there was a deficit on the shareholders' fund of RMB1,859.2 million. As at the same date, the Group had total borrowings of RMB3,199.9 million and cash and cash equivalents of RMB55.6 million only.

In addition, upon the discovery of Matter A and Matter B, the IIC was established to investigate these matters and the publication of the 2022 annual results and 2023 interim results have been delayed. As a consequence, the Company's shares have been suspended for trading since April 3, 2023 (as detailed in the Company's announcement dated March 31, 2023) and up to the date of this announcement. These events constituted event of defaults pursuant to the New Finance Documents (Note 12) under the Debt Restructuring Plans. Accordingly, the Lenders and the Noteholders (as defined in Note 12) have been entitled to an unconditional right to demand immediate settlement of all the outstanding principal and interest of the secured borrowings of RMB2,973.7 million and senior notes of RMB1,935.9 million as at June 30, 2023.

The above events or conditions may cast significant doubt on the Group's ability to continue as a going concern.

For the purpose of assessing the appropriateness of the use of the going concern basis for the preparation of the consolidated financial statements, the management has prepared a cash flow forecast up to December 31, 2024 ("Forecast"). When preparing the Forecast, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, and has taken the following measures to mitigate the liquidity pressure and to improve its cash flows:

(a) On October 11, 2023, the disposal of its 40% equity interests in PBV (Note 13) was completed. The consideration of US$55.0 million has been netted off against part of the secured borrowings on a dollar-to-dollar basis in accordance with the Debt Restructuring Plans;

(b) On November 18, 2022, the Group announced the proposed disposal of 10% foreign contractors' interest in the Moliqing PSC to a third-party purchaser at the consideration of US$5.0 million (Note 13) where the disposal transaction is subject to the approval from the Chinese PSC party, CNPC. Upon the completion of the disposal, the cash consideration of US$5.0 million will be used for repayment of a secured borrowing which the 10% foreign contractors' interest was pledged to;

(c) The Group will continue drilling new wells to maintain the production for generating sufficient operating cashflows;

(d) In October and November 2023, the Group has obtained waiver letters from the Lenders pursuant to which the events of default under the New Finance Documents resulting from the Investigation Review and suspension of the ordinary shares from trading on the Stock Exchange have been permanently and absolutely waived by each of the Lenders. In consideration of the Lenders' consent to waive the events of default, the Company has undertaken to ensure the resumption of trading of its ordinary shares on the Stock Exchange by no later than six months after the date of the waive letters; and

(e) The Group will continue the discussion with the Noteholders for the consent to grant grace period to the Company to rectify the breach of the New Finance Documents relating to the senior notes.

The directors of the Company (the "Directors") have reviewed the Forecast prepared by management and are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due within over the forecast. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed interim consolidated financial information on a going concern basis.

Notwithstanding the above, a material uncertainty exists about the Group's ability to continue as a going concern. Whether the Group will be able to continue as a going concern will depend upon the following:

(i) the Company's ability and timing to obtain the approval from the Stock Exchange for trading resumption of its shares;

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

(iii) successfully receiving the required approval from CNPC for the completion of the disposal of the 10% foreign contractors' interest in the Moliqing PSC; and

(iv) the Noteholders to not exercising their rights to demand immediate settlement of all the outstanding principal and interest of the senior notes before the successful rectification of the events of default (i.e. to have the Company's ordinary shares resumed for trading).

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the adoption of new and amended standards as set out below, the accounting policies applied in the preparation of this unaudited condensed interim consolidated financial information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022.

New and amended standards adopted by the Group

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

- Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies
- Amendments to IAS 8 — Definition of Accounting Estimates
- Amendments to IAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 1 — Classification of Liabilities as Current or Non-current, Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Directors do not anticipate that the application of the amendments and revision in the future will have a significant impact on the interim condensed consolidated financial statements.

4. SEGMENT INFORMATION

(a) Description of segment

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

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

(b) Revenue from contracts with customers

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Entity-wide information		
Analysis of revenue by category		
Timing of revenue recognition		
At a point in time		
— Sales of crude oil and gas	**511,152**	710,570
Transferred over time		
— Provision of services	**677**	130
	511,829	710,700

For the six months ended June 30, 2023 and June 30, 2022, total revenue from crude oil and gas sales in the PRC are derived solely from PetroChina Company Limited (the "PetroChina"). Crude oil and gas sales revenues from PetroChina accounted for 99.86% of the Group's total revenue for the period (Six months ended June 30, 2022: 99.98%).

For the contracts from consultation services that have an original expected duration of one year or less, as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(c) Geographical information

All of the Group's revenue is derived in the PRC during the six months ended June 30, 2023 and June 30, 2022. As at June 30, 2023 and 2022, the non-current assets of the Group, excluding financial assets at FVOCI, are mainly located in the PRC.

5. TAXES OTHER THAN INCOME TAXES

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Special oil gain levy *(Note)*	**17,961**	70,588
Urban construction tax and education surcharge	**1,671**	2,318
Others	**22**	22
	19,654	72,928

Note: According to the relevant tax rules and regulations, the proceeds from sale of crude oil in the mainland China derived by the Group is subject to petroleum special profit charge when the selling price is above US$65/barrel (Six months ended June 30, 2023 was approximately RMB18.0 million).

6. GAINS FROM THE DEBT RESTRUCTURING PLANS

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gains from the Debt Restructuring Plans *(Note)*	**–**	2,556,615

Note:

As mentioned in Note 12, the Group completed the Debt Restructuring Plans on March 30, 2022. The management of the Group considered that the terms of the New Finance Documents are substantially different from those of the Cross-Defaulted Borrowings and the 2022 Senior Notes. Accordingly, such modification of terms is accounted for as an extinguishment of the Cross-Defaulted Borrowings and the 2022 Senior Notes and recognition of new financial liabilities. The new secured borrowings and the 2024 Senior Notes should be measured at fair value as at the date of extinguishment. The differences between the outstanding principals and interests balance of the Cross-Defaulted Borrowings and the 2022 Senior Notes and the fair value of the new secured borrowings and 2024 Senior Notes are recognized in profit and loss for the period as gains from the Debt Restructuring Plans.

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**62,574**	94,343
Deferred income tax	**(23,360)**	(24,736)
	39,214	69,607

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.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company *(RMB'000)*	**(60,508)**	2,456,898
Weighted average number of ordinary shares in issue *(in thousands)*	**3,386,526**	3,269,421
Adjustment for potential dilutive effect in respect of outstanding share options *(in thousands)*	**–**	36,825
Weighted average number of diluted potential ordinary shares for diluted (loss)/earnings per share *(in thousands)*	**3,386,526**	3,306,246
Basic (loss)/earnings per share *(RMB)*	**(0.02)**	0.75
Diluted (loss)/earnings per share *(RMB)*	**(0.02)**	0.74

9. DIVIDENDS

The Board of Directors did not recommend the payment of interim dividend for the six months ended June 30, 2023 (Six months ended June 30, 2022: Nil).

10. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	As at June 30, 2023 *RMB'000* **(Unaudited)**	As at December 31, 2022 *RMB'000* (Audited)
Up to 30 days	**87,137**	109,931
Over 180 days	**2,600**	1,945
	89,737	111,876

The Group has a policy granting its customers credit periods normally ranging from 30 to 180 days. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. The Group does not hold any collateral as security.

The carrying amount of trade receivables approximates to their fair value.

The Group measures the loss allowance for all trade receivables at an amount equal to lifetime ECLs. No impairment loss on trade receivables is recognized as the ECLs assessed is not material to the financial statements.

Trade receivables under the Daan PSC held by Gobi are pledged as a security for secured borrowings.

11. TRADE PAYABLES

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

	As at June 30, 2023 *RMB'000* **(Unaudited)**	As at December 31, 2022 *RMB'000* (Audited)
Up to 6 months	**128,976**	227,218
6 months–1 year	**123,902**	113,214
1–2 years	**83,445**	85,455
2–3 years	**8,415**	3,104
Over 3 years	**5,674**	10,381
	350,411	439,372

The carrying amounts of trade payables approximates their fair value.

12. BORROWINGS

	As at June 30, 2023 *RMB'000* **(Unaudited)**	As at December 31, 2022 *RMB'000* (Audited)
Liability component		
— Secured borrowings	**1,839,347**	1,870,700
— Senior Notes	**1,106,603**	1,008,847
— Interest payable at coupon rates	**222,720**	130,807
	3,168,670	3,010,354
Derivative component		
— Secured borrowing*s*	**26,172**	36,808
— Senior Note*s*	**5,087**	7,069
	31,259	43,877
Less: current portion	**(813,649)**	(642,711)
Non-current portion	**2,386,280**	2,411,520

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

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

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

The 2022 Senior Notes was cancelled and the new notes with a contractual due date on December 31, 2024 (the "2024 Senior Notes"), was issued and listed on the Singapore Exchange Securities Trading Limited on March 31, 2022. The revised terms under the Debt Restructuring Plans are set out below:

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

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

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

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

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

By the end of the year 2022, the Group has fulfilled the requirements for a minimum number of new wells drilled in the Daan oilfield as agreed with CNPC within a period of three years from June 2020 in order to achieve the condition to extend the expiry date of the Daan PSC with CNPC from December 31, 2024 to February 29, 2028. The Group has obtained approval from CNPC on February 24, 2023.

13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Assets of disposal group classified as held for sale

	Notes	**As at June 30, 2023** ***RMB'000*** **(Unaudited)**	As at December 31, 2022 *RMB'000* (Audited)
40% equity interest and certain related receivables in PBV:	*(a)*		
Investment in associate		**–**	–
Prepayments, deposits and other receivables			
Amounts due from an associate		**1,005,382**	969,039
Less: loss allowance of amounts due from an associate		**(608,312)**	(586,322)
		397,070	382,717
10% foreign contractors' interest in the Moliqing PSC:	*(b)*		
Property, plant and equipment		**82,912**	77,131
Intangible assets		**277**	277
Prepayments, deposits and other receivables		**4,610**	–
Deferred income tax assets		**–**	24
		87,799	77,432
Less: loss allowance		**(44,260)**	(44,260)
		43,539	33,172
		440,609	415,889

Liabilities of disposal group classified as held for sale

	Notes	**As at June 30, 2023** *RMB'000* **(Unaudited)**	As at December 31, 2022 *RMB'000* (Audited)
40% equity interest and certain related receivables in PBV:	*(a)*		
Provisions, accruals and other liabilities		**973**	1,301
10% foreign contractors' interest in the Moliqing PSC:	*(b)*		
Deferred income tax liabilities		**1,458**	–
Provisions, accruals and other liabilities		**–**	15,558
Asset retirement obligation		**854**	853
		2,312	16,411
		3,285	17,712

(a) Disposal of 40% equity interest and certain related receivables in PBV

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

The completion of this Disposal is subject to the fulfilment of certain conditions, including but not limited to, the approval of the relevant governmental or regulatory bodies. The Group had already in discussion and agreed certain key terms of the Disposal with the Purchaser in December 2021 and expected to complete the Disposal within one year. Accordingly, the Disposal Assets Group is classified as "disposal group classified as held for sale" as at December 31, 2021.

On October 11, 2023, the Stage 2 Conditions have been satisfied and hence the Disposal has been completed on the same date. Following the completion of Disposal, the Company ceased to hold any shares or other interests in PBV.

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

As at June 30, 2023, the investment of 40% equity interest in PBV was classified as "assets of disposal group classified as held for sale" with nil carrying value.

As at June 30, 2023, the shareholder loans due from PBV and other receivables from the other shareholders of PBV were classified as assets of disposal group classified as held for sale with a carrying value of RMB397.1 million.

(b) Disposal of 10% foreign contractors' interest in the Moliqing PSC

On November 18, 2022, the Group entered into an agreement with Reliant Honor International Holdings Corporation, an independent third party, for the sale of the Group's 10% foreign contractors' interest in Moliqing PSC at a consideration of US$5.0 million (equivalent to approximately HK$39.3 million).

The disposal agreement between the Group and Reliant Honor International Holdings Corporation has been approved by the Board of Directors on November 11, 2022 and announced on November 18, 2022. The completion of this disposal is subject to the approval of the CNPC.

On September 29, 2023, the Group and the Purchaser entered into an agreement to further extend the Longstop Date from September 30, 2023 to November 30, 2023, due to additional time is required to obtain the relevant written approval from CNPC.

Upon completion of the transaction, the Group will no longer hold any rights and interests in the Moliqing PSC.

At the date of initial classification as held for sale, the carrying amount of the assets and liabilities relating to the 10% foreign contractors' interest in the Moliqing PSC were higher than the fair value less cost to sell as at that date. Accordingly, impairment loss of RMB44.3 million was recognized at the initial classification on December 31,2022.

14. SUBSEQUENT EVENT

Significant events occurred subsequent to June 30, 2023 and up to the date of approval of these financial statements are set out below:

Up to the date of approval of these financial statements, trading in the shares of the Company on the Stock Exchange remained in suspension status, for which the Group has triggered (non-payment) events of default in the secured borrowings and 2024 Senior Notes as a result of the trading suspension for more than six months. A waiver of these events of default have been obtained from the Lenders of the secured borrowings in October and November 2023. In consideration of the Lenders' consent to waive the events of default, the Company has undertaken to ensure the resumption of trading of its ordinary shares on the Stock Exchange by no later than six months after the date of the waive letters.

BUSINESS REVIEW AND PROSPECTS

During the first half of 2023, the crude oil market was supported by OPEC+'s initiative to cut production and China's strong crude oil imports. At the same time, it was under macro pressure from the conflict between Russia and Ukraine, the Fed's interest rate hike and the global economic downturn. In the first half of the year, the price of crude oil was affected by many parties, and the crude oil price fluctuated. However, the potential for China's economic development and the fundamentals of long-term improvement have not changed, and it will still play an active role in the global economy as an important growth engine. The Group adapts to the ever-changing external business environment, continues to implement budget control and cost reduction and efficiency enhancement measures, continues to maintain stable oil and gas exploration and excavation activities, and focuses on increasing the production and recovery of new and old wells, which contributes to the sustainable and healthy development of the Group Provides a strong guarantee.

During the six months ended June 30, 2023 ("**1H2023**"), the Group's oil and gas production increased by 5.8% to about 2.72 million barrels oil equivalent ("**BOE**", where 1 BOE = 6,000 standard cubic feet natural gas) compared with the amount for the six months ended June 30, 2022 ("**1H2022**") and net oil and gas production decreased by 14.7% to about 0.99 million BOE compared with the amount in 1H2022. During 1H2023, net sales of crude oil decreased by 17.2% to approximately 0.96 million barrels from that of 1H2022.

In 1H2023, the average realized crude oil price of the Group decreased by 19.0% to US$76.72 per barrel as compared with that of 1H2022. In 1H2023, the revenue of the Group, which was derived entirely from China, decreased by 28.0% to RMB511.8 million as compared with 1H2022. In 1H2023, net loss for the period was RMB60.5 million, as compared to a net profit of RMB2,456.9 million in 1H2022, the net profit decreased of RMB2,517.4 and the basic losses per share was RMB0.02 in 1H2023.

The EBITDA of the Group in 1H2023 decreased by RMB2,710.3 million to RMB354.0 million from RMB3,064.4 million in 1H2022 and the adjusted EBITDA decreased by RMB119.9 million to RMB340.3 million.

The following table sets out a summary of expenditures incurred in our exploration, development, and production activities for the six months ended June 30, 2023:

(RMB millions)	Exploration expenditures	Development expenditures	Production/ operating expenditures
China Onshore Projects (Daan, Moliqing)	–	79	97
Total	–	79	97

The Group incurred development expenditures of RMB79 million and production expenditures of RMB97 million in the PRC during the six months ended June 30, 2023.

China Operations (Daan, Moliqing)

Our projects in northeastern China maintained a relatively stable production in 1H2023. As at June 30, 2023, the Group held a participating interest of 100% and 10% in the Daan PSC and the Moliqing PSC respectively. The total gross production for Daan and Moliqing for 1H2023 increased by 5.4% from 2.57 million barrels in 1H2022 to 2.71 million barrels. Total net production allocated to the Group decreased by14.7% from 1.16 million barrels in 1H2022 to 0.99 million barrels. The gross production in 1H2023 increased by 5.2% to 14,947 barrels per day ("**BOPD**") as compared to 1H2022, and net production allocated to the Group decreased by 14.7% to 5,472 BOPD. The average oil price of Daan and Moliqing decreased by 19.0% from US$94.75 per barrel in 1H2022 to US$76.72 per barrel in 1H2023. At the same time, we continue to tap the potential of old wells and increased well stimulation of old wells of Daan oilfield. For 1H2023, the lifting costs for Daan increased by US$0.71/barrel, or 5.5%, from US$12.94/barrel for 1H2022 to US$13.65/barrel. The Group drilled 16 new wells in the first half of the year in the Daan oilfield.

In accordance with the supplemental agreement to the PSC relating to the Daan oilfield ("**Supplemental PSC**") signed between the Group and CNPC on June 4, 2020, the Group shall invest in and drill a minimum of 268 wells within three years after the effective date of the Supplemental PSC. By the end of 2022, the Group's 268 new drilling wells have all been completed. On February 24, 2023, CNPC approved that the extension of the operating period of Daan PSC to February 29, 2028 has been effective base on the completion of the required minimum wells.

Kazakhstan Operations (Emir-Oil)

The Group holds an indirect 40% interest in Emir-Oil in Kazakhstan. Currently, Emir-Oil holds six production contracts covering the Aksaz, Dolinnoe, Emir, Kariman, North kariman and Yessen producing oilfields. As at the end of 1H2023, Emir-Oil had a total of 23 producing wells. The daily production of crude oil attributable to the Group increased by 22.4% from 771 BOPD in 1H2022 to 944 BOPD in 1H2023.

On January 20, 2022, the Company entered into a Disposal Agreement with the Purchaser, pursuant to which (among other things) the Company has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to acquire 40% interest in PBV. The consideration to be paid by the Purchaser to the Company (on behalf of the Company and its subsidiaries) shall be US$55.0 million, which shall be netted off against the outstanding amount due by the Company to the Purchaser under the loan agreement at completion on a dollar-for-dollar basis.

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

On October 11, 2023, all the Conditions have been satisfied and hence the Disposal has been completed on the same date. Following the completion of Disposal, the Company ceased to hold any shares or other interests in PBV.

OUTLOOK FOR 2023

In the second half of 2023, the global economic development still faces many challenges, while opportunities and challenges coexist. The OPEC+ output adjustment policy of oil-producing countries will provide bottom support for oil prices, and China's demand for crude oil imports remains strong. The Fed may continue to raise interest rates, the risk of global economic recession has not been lifted, and the uncertainty on the demand side has increased. Therefore, it is expected that in the second half of the year, the world crude oil price will still fluctuate violently under the influence of many parties.

REVIEW OF FINANCIAL RESULTS

Revenue

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

The Group's revenue generated from sales of oil and gas was contributed entirely by our China oil fields, which decreased by RMB199.4 million, or 28.1%, from RMB710.6 million for the six months ended June 30, 2022 to RMB511.2 million for the six months ended June 30, 2023. Revenue decrease was primarily due to the lower realized oil price, from US$94.75 per barrel for the six months ended June 30, 2022 to US$76.72 per barrel for the six months ended June 30, 2023, and the lower net sales volume. Net crude oil sales volume decreased by 0.2 million barrels, or 17.2%, from 1.16 million barrels for the six months ended June 30, 2022 to 0.96 million barrels for the six months ended June 30, 2023.

The Group's revenue generated from rendering of services was RMB0.7 million and RMB0.1 million for the six months ended June 30, 2023 and June 30, 2022, respectively.

Operating expenses

Depreciation, depletion and amortization

The Group's depreciation, depletion and amortization decreased by RMB5.1 million, or 2.7%, from RMB188.1 million for the six months ended June 30, 2022 to RMB183.0 million for the six months ended June 30, 2023. The decrease in depreciation, depletion and amortization was mainly due to the assets of Moliqing Oilfield was reclassified to Held for sale as at year-end of 2022 and stopped to amortize during the six months ended June 30, 2023.

Taxes other than income taxes

The Group's taxes other than income taxes decreased by RMB53.2 million, or 73.0%, from RMB72.9 million for the six months ended June 30, 2022 to RMB19.7 million for the six months ended June 30, 2023. The following table summarizes the Group's taxes other than income taxes for the six months ended June 30, 2023 and 2022, respectively:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Special oil gain levy	**17,961**	70,588
Urban construction tax and education surcharge	**1,671**	2,318
Others	**22**	22
	19,654	72,928

With effect from January 1, 2015, the threshold price for the special oil gain levy was revised from US$55 per barrel to US$65 per barrel. Special oil gain levy of RMB18.0 million was incurred due to the crude oil price having exceeded US$65/barrel for the six months ended June 30, 2023. During the six months ended June 30, 2022, the special oil gain levy was RMB70.6 million.

Employee benefit expenses

The Group's employee benefit expenses decreased by RMB1.3 million, or 2.7%, from RMB48.6 million for the six months ended June 30, 2022 to RMB47.3 million for the six months ended June 30, 2023.There has generally been no change for the employee compensation costs for same period during the two years.

Purchases, services and other direct costs

The Group's purchases, services and other direct costs decreased by RMB25.0 million, or 19.0%, from RMB131.3 million for the six months ended June 30, 2022 to RMB106.3 million for the six months ended June 30, 2023. The decrease was primarily due to: (i) expenses of approximately RMB21.2 million related to the Debt Restructuring Plans incurred in the six months period ended June 30, 2022 but nil in 2023; and (ii) operating expenses decreased approximately RMB6.0 million, which was due to the lower percentage undertaken by the Group that caused by less capital expenditure in 2023 compared to 2022.

Gains from Debt Restructuring Plans

The Group had gains from Debt Restructuring Plans of RMB2,556.6 million for the six months ended June 30, 2022. The gains from Debt Restructuring Plans were mainly due to the differences between the outstanding principals and interests balance of the Cross-Defaulted Borrowings and the 2022 Senior Notes and the fair value of the new secured borrowings and the 2024 Senior Notes. The gains contained accrued default interest and certain ordinary interests waived on the restructuring effective date. There will be no more gains from Debt Restructuring Plans upon the debt restructure completed, so it was nill during the six months ended June 30, 2023.

Other gains/(losses), net

The Group had net other gains of RMB15.4 million for the six months ended June 30, 2023, compared to net other gains of RMB49.9 million for the six months ended June 30, 2022. The decrease in other gains was mainly due to: (i) the write-off of the withholding tax payables related to interest charged on intercompany loans were RMB60.1 million in 2022, but nil in 2023; and was offset by (ii) the gain of RMB26.4 million on changes in fair value of derivative component of borrowings, which was a loss of RMB12.6 million during the six months ended June 30, 2022, but a gain of RMB13.8 million during the six months ended June 30, 2023.

Finance costs, net

The Group's net finance costs decreased by RMB157.5 million, or 45%, from RMB349.8 million for the six months ended June 30, 2022 to RMB192.3 million for the six months ended June 30, 2023. The decrease was mainly due to the lower interest rate of the debts after the restructuring effective date.

(Loss)/profit before income tax

The Group's loss before income tax was RMB21.3 million for the six months ended June 30, 2023, compared to the profit before income tax of RMB2,526.5 million for the six months ended June 30, 2022, representing a decrease of RMB2,547.8 million. The decrease was primarily due to the gains from the Debt Restructuring Plans of RMB2,556.6 million for the six months ended June 30, 2022. The gains from Debt Restructuring Plans were mainly due to the differences between the outstanding principals and interests balance of the Cross-Defaulted Borrowings and the 2022 Senior Notes and the fair value of the new secured borrowings and the 2024 Senior Notes. The gains contained accrued default interest and certain ordinary interests waived on the restructuring effective date.

Income tax expense

The Group recorded income tax expense of RMB39.2 million for the six months ended June 30, 2023, compared to income tax expense of RMB69.6 million for the six months ended June 30, 2022, representing a decrease of RMB30.4 million, or 43.7%. The effective tax rate for the six months ended June 30, 2023 was negative 184.2%, compared to the effective tax rate for the six months period ended June 30, 2022 of 2.8%.

(Loss)/profit for the period

The Group's loss for the six months ended June 30, 2023 was RMB60.5 million, compared to the profit of RMB2,456.9 million for the six months ended June 30, 2022, representing a decrease of RMB2,517.4 million. This decrease was primarily due to the cumulative effects of the factors mentioned above in this announcement.

EBITDA AND ADJUSTED EBITDA

We have provided a reconciliation of EBITDA and adjusted EBITDA to profit/(loss) before income tax, with our most directly comparable financial performance calculated and presented in accordance with IFRS. EBITDA refers to earnings before income tax, interest and other income, finance costs and depreciation, depletion and amortization. Adjusted EBITDA refers to EBITDA adjusted to exclude non-cash and non-recurring items such as value of employee services under share-based payments plan, provision/(reversal) of impairment losses on financial assets, impairment charges, withholding tax related to interest income on the shareholders' loans to an associate and any other non-cash or non-recurring income/expenses.

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

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

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/profit before income tax	**(21,294)**	2,526,505
Interest and other income	**(88)**	(36)
Finance costs	**192,385**	349,867
Depreciation, depletion and amortization	**183,043**	188,057
EBITDA	**354,046**	3,064,393
Gains from the Debt Restructuring Plans	**–**	(2,556,615)
Net change (gain)/loss in fair value of the derivative component of the 2024 Senior Notes and the new secured borrowings	**(13,757)**	12,562
Write-off of unclaimed portion of the 2024 Senior Notes	**(19)**	–
Write-off of the withholding tax payables	**–**	(60,122)
Adjusted EBITDA	**340,270**	460,218

The Group's EBITDA decreased by approximately RMB2,710.4 million, from approximately RMB3,064.4 million for the six months ended June 30, 2022 to approximately RMB354.0 million for the six months ended June 30, 2023. The decrease was mainly due to the gains from Debt Restructuring Plans of RMB2,556.6 million for the six months ended June 30, 2022. The gains from Debt Restructuring Plans were mainly due to the differences between the outstanding principals and interests balance of the Cross-Defaulted Borrowings and the 2022 Senior Notes and the fair value of the new secured borrowings and the 2024 Senior Notes. The gains contained accrued default interest and certain ordinary interests waived on the restructuring effective date.

The Group's adjusted EBITDA decreased by approximately RMB119.9 million, or 26.1%, from approximately RMB460.2 million for the six months ended June 30, 2022 to approximately RMB340.3 million for the six months ended June 30, 2023. The decrease was mainly due to the decrease of the realized oil price and net sales volume.

The Group's EBITDA and adjusted EBITDA by operating segment for the six months ended June 30, 2023 and 2022 are set out below:

	Six months ended June 30, 2023		
	PRC	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Profit/(loss) before income tax	**108,306**	**(129,600)**	**(21,294)**
Interest and other income	**(87)**	**(1)**	**(88)**
Finance costs	**87,868**	**104,517**	**192,385**
Depreciation, depletion and amortization	**181,539**	**1,504**	**183,043**
EBITDA	**377,626**	**(23,580)**	**354,046**
Net change gain in fair value of the derivative component of the 2024 Senior Notes and the new secured borrowings	**(5,464)**	**(8,293)**	**(13,757)**
Write-off of unclaimed portion of the 2024 Senior Notes	**–**	**(19)**	**(19)**
Adjusted EBITDA	**372,162**	**(31,892)**	**340,270**

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

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary source of cash during the six months ended June 30, 2023 was cash generated from operating activities.

In 1H2023, the Group had net cash generated from operating activities of RMB243.1 million, net cash used in investing activities of RMB189.7 million and net cash used in financing activities of RMB120.3 million, a translation gain for foreign currency exchange of RMB2.1 million, resulting in a decrease in cash and cash equivalents of RMB64.7 million compared to the cash balance of RMB120.3 million as at December 31, 2022.

Borrowings

As at June 30, 2023, the Group's borrowings amounting to approximately RMB3,199.9 million, representing an increase of approximately RMB145.7 million as compared to December 31, 2022. Among the Group's borrowings, borrowings repayable within one year amounted to approximately RMB813.6 million, representing an increase of RMB170.9 million as compared to that of December 31, 2022. All of the Group's borrowings are denominated in United States Dollars and Hong Kong Dollars. The Group's borrowings are all at fixed interest rates. No hedging instruments are used for bank borrowings.

Our gearing ratio, which is defined as total borrowings less cash and cash equivalents ("**Net Borrowings**") divided by the sum of Net Borrowings and total equity, is 241.7% as at December 31, 2022 and 244.7% as at June 30, 2023, respectively.

Our total borrowings to adjusted EBITDA ratio, which is defined as total borrowings divided by adjusted EBITDA decreased from 3.2 as at December 31, 2022 to 4.7 as at June 30, 2023.

Market risk

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

Oil and natural gas price risk

Our realized oil and gas prices are determined with reference to oil and gas prices in the international market, as changes in international oil and gas prices will have a significant impact on us. Unstable and highly volatile international oil and gas prices may have a significant impact on our revenue and profit.

Currency risk

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

The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

CHARGES ON GROUP ASSETS

As at June 30, 2023, all of the Group's interest under the PSCs in China, certain of the bank accounts and shares of certain subsidiaries and an associate are pledged to secure the borrowings granted to the Group with the balance of RMB2,088.2 million.

EMPLOYEES

As at June 30, 2023, the Company had 1,013 employees, all based in China (Mainland PRC and Hong Kong). There have been no material changes to the information disclosed in the 2021 Annual Report in respect of the remuneration of employees, remuneration policies and staff development.

CONTINGENCIES

The Board of Directors is not aware of any material contingent liabilities of the Group as at June 30, 2023.

DIVIDEND

The Board has resolved that no interim dividend will be paid for the six months ended June 30, 2023 (Six months ended June 30, 2022: Nil).

AUDIT COMMITTEE

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

The Audit Committee has adopted the terms of reference which are in line with the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). The terms of reference were revised on August 24, 2016 and have been made available on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2023.

CORPORATE GOVERNANCE CODE

The Company has complied with the principles and code provisions as set out in the CG Code as contained in Appendix 14 to the Listing Rules throughout the period from January 1, 2023 to June 30, 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and all the directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended June 30, 2023. In addition, no incident of non-compliance of the Model Code by the employees was noted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

An interim report for the six months ended June 30, 2023 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.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on April 3, 2023, and will remain suspended until further notice pending fulfilment of the Resumption Guidance and any supplement or modification thereof.

By Order of the Board
MIE Holdings Corporation
Mr. Zhao Jiangwei
Executive Director

Hong Kong, November 29, 2023

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