

LETTER FROM THE BOARD



MIE HOLDINGS CORPORATION

MI 能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

Executive Directors:

Mr. Zhang Ruilin (*Chairman*)
Mr. Zhao Jiangwei
Mr. Andrew Sherwood Harper
Mr. Tao Tak Yin Dexter
Mr. Tian Hongtao

Non-executive Director:

Ms. Xie Na

Independent Non-executive Directors:

Mr. Mei Jianping
Mr. Jeffrey W. Miller
Mr. Guo Yanjun

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The People's Republic of China

May 26, 2016

To the Shareholders

Dear Sir/Madam,

**(1) MAJOR TRANSACTION
DISPOSAL OF 60% EQUITY INTEREST IN PALAEONTOL B.V.
AND
(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated March 7, 2016 regarding the signing of, among other things, the Sale and Purchase Agreement by the Company, the Seller and the Purchaser in relation to the disposal of the Sale Shares in the Disposal Company

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by the Seller to the Purchaser (or the SPV as the Purchaser may direct) and the assignment and transfer of the Shareholder Loans in proportion to the Relevant Percentage by the Company to the Purchaser (or the SPV as the Purchaser may direct).

The purpose of this circular is to provide you with, among other things, (i) further details in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the Competent Person's Report; (iii) other information as required under the Listing Rules, and (iv) the notice convening the EGM.

2. THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

2.1 Date

March 5, 2016

2.2 Parties

- (1) the Company;
- (2) Palaeontol Cooperatief U.A., an indirectly wholly-owned subsidiary of the Company, as the Seller; and
- (3) Reach Energy Berhad, as the Purchaser. The Purchaser shall be entitled to designate the SPV to receive the transfer of the Sale Shares and the Relevant Percentage of the Shareholder Loan.

The Purchaser has nominated Reach Energy as the SPV to receive the transfer of the Sale Shares and Relevant Percentage of the Shareholder Loan.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser, Reach Energy and their respective ultimate beneficial owners are Independent Third Parties.

2.3 Subject matter of the Disposal

Pursuant to the Sale and Purchase Agreement, the Seller agreed to sell the Sale Shares to Reach Energy (being the SPV nominated by the Purchaser) free from all Encumbrances and together with all rights, title and benefits attaching thereto including without limitation, all bonuses, rights, dividends and other distributions declared, paid or made in respect of the Sale Shares on or after the Completion Date.

At Completion, the Company shall assign and Reach Energy (being the SPV nominated by the Purchaser) shall accept the assignment and transfer of the Shareholder Loans in proportion to the Relevant Percentage simultaneously with the sale and transfer of the Sale Shares from the Seller to Reach Energy.

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The Sale Shares represent sixty per cent (60%) of the issued share capital of the Disposal Company.

2.4 Consideration and basis of determination

- (a) The Parties have agreed that the enterprise value of one hundred per cent. (100%) (before adjustment of the Net Working Capital) of the Disposal Group is US\$308,000,000 as at the Effective Date (“**Enterprise Value**”) which translates to US\$184,800,000 based on the Relevant Percentage of the Enterprise Value.
- (b) Subject to the adjustment mechanism described below, the aggregate consideration for the Sale Shares and the assignment of the Shareholder Loans in proportion to the Relevant Percentage less the deficiency of the Net Working Capital of US\$29,911,000 (based on unaudited consolidated management accounts of the Disposal Group as at the Effective Date) is US\$154,889,000 (“**Transaction Consideration**”), which represents a deficit of approximately 35% to the net book value of the Sale Shares and the Shareholder Loans in proportion to the Relevant Percentage as at the Effective Date.
- (c) At Completion, the Transaction Consideration shall be adjusted as follows:

either

- (i) increased by an amount equal to the Net Contribution Amount which shall not exceed an aggregate amount of US\$21,000,000, if such amount is positive; or
- (ii) decreased by an amount equal to the Net Contribution Amount if such amount is negative; and

increased by the Relevant Percentage any amounts recovered from Aral Petroleum Capital LLP prior to the Completion Date in connection with the Aral Loan (the “**Adjusted Transaction Consideration**”), provided always that the Adjusted Transaction Consideration shall not be greater than US\$175,889,000 (unless otherwise agreed by the Company and Purchaser in the case of exceptional or extra items of expenditure for the Disposal Company).

- (d) The Adjusted Transaction Consideration shall comprise of:
 - (i) the purchase price of US\$1.00 in respect of the sale and purchase of the Sale Shares (“**Purchase Price**”); and
 - (ii) the shareholders loan consideration shall be the Adjusted Transaction Consideration less the Purchase Price (“**Shareholder Loan Consideration**”), in respect of the assignment and transfer of the Shareholder Loans in proportion to the Relevant Percentage.

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- (e) At Completion, eighty five per cent. (85%) of the Adjusted Transaction Consideration shall be payable on the Completion Date and the Deferred Consideration shall be paid to the Company as follows:
 - (i) within twenty-four (24) months after the Completion Date; and
 - (ii) if the Deferred Consideration is not paid, on the date which is twenty-four (24) months after the Completion Date and until full payment of the Deferred Consideration:
 - (A) the Company, the Purchaser and their respective Affiliates shall ensure that the Disposal Group defers any discretionary capital expenditure (“**CAPEX**”) (except for CAPEX required for the committed work obligations under the Contracts) such that the Disposal Group shall be able to free its cash flow for the purposes of cash distribution (either by way of dividends, repayment of shareholders loan or other means) to its shareholders;
 - (B) any cash distributions by the Disposal Group to the Purchaser (or its Affiliates) shall first be used to ensure that the Purchaser Cash Position is not less than US\$10,000,000 and thereafter the remaining cash distribution shall be used for repayment of the Deferred Consideration; and
 - (C) the Purchaser shall use its best efforts to raise the maximum amount of funds (whether that be by way of debt or equity fund raising) for repayment of the Deferred Consideration provided that (1) if the net proceeds raised is less than US\$1,000,000 then such amount shall not be used for repayment of the Deferred Consideration; and (2) the net proceeds raised shall first be used to ensure that the Purchaser Cash Position is no less than US\$10,000,000 and thereafter the remaining net proceeds raised (over and above the Purchaser Cash Position of US\$10,000,000) shall be used for repayment of the Deferred Consideration.
- (f) Within five (5) days of satisfaction of the Conditions to be observed on the part of the Purchaser, the Purchaser has a right to defer payment of part of the 85% of the Adjusted Transaction Consideration such that at Completion, the Purchaser shall pay the sum (A) US\$120,000,000; and (B) 25% of the amount in the Trust Account (net of taxes) on the Completion Date less the Dissenting Shareholders Payback Amount, but not more than 85% of the Adjusted Transaction Consideration (“**Completion Payment**”). The Remaining Completion Amount shall be paid to the Company as follows:
 - (i) within six (6) months after the Completion Date; and

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- (ii) if the Remaining Completion Amount is not paid on the date which is six (6) months after the Completion Date and until full payment of the Remaining Completion Amount:
 - (A) the Company, the Purchaser and their respective Affiliates shall ensure that the Disposal Group defers any CAPEX (except for CAPEX required for the committed work obligations under the Contracts) such that the Disposal Group shall be able to free its cash flow for the purposes of cash distribution (either by way of dividends, repayment of shareholders loan or other means) to its shareholders;
 - (B) any cash distributions by the Disposal Group to the Purchaser (or its Affiliates) shall first be used to ensure that the Purchaser Cash Position is not less than US\$10,000,000 and thereafter the remaining cash distribution shall be used for repayment of the Remaining Completion Amount; and
 - (C) the Purchaser shall use its best efforts to raise the maximum amount of funds (whether that be by way of debt or equity fund raising) for repayment of the Remaining Completion Amount provided that (1) if the net proceeds raised is less than US\$1,000,000 then such amount shall not be used for repayment of the Remaining Completion Amount; and (2) the net proceeds raised shall first be used to ensure that the Purchaser Cash Position is no less than US\$10,000,000 and thereafter the remaining net proceeds raised (over and above the Purchaser Cash Position of US\$10,000,000) shall be used for repayment of the Remaining Completion Amount.

Before full payment of the Deferred Consideration (or, as the case may be, the Remaining Completion Amount), in the case the Purchaser (or its Affiliate) transfers any of the Sale Shares to any third party, the Purchaser undertakes to immediately pay to the Company a sum equal to the outstanding Deferred Consideration (or, as the case may be, the Remaining Completion Amount) (including interest thereon) owing to the Company by the Purchaser from the amount received by the Purchaser (or its Affiliate) from the transfer of such Sale Shares for the purposes of full settlement of the Deferred Consideration (or, as the case may be, the Remaining Completion Amount).

For the avoidance of doubt, the Deferred Consideration (or, as the case may be, the Remaining Completion Amount) can be repaid at any time after Completion.

The imposition of the Purchaser Cash Position of US\$10,000,000, in both cases, is intended to preserve the Seller's interest that the Purchaser has sufficient cash in its bank account for working capital.

The Enterprise Value and the considerations arising out of the Transaction set out above were determined after arm's length negotiations between the Company and the Purchaser with reference to a number of factors, including

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but not limited to the latest independent technical reserve reports and internal reserve team reserve estimates, internal cash flow and EBITDA (earnings before interest, taxes, depreciation and amortization) as well as forecasts analysis of the 2P reserves value of the underlying assets of the Disposal Company as at the Effective Date.

The Directors consider the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.5 Conditions precedent

Completion is conditional on the following conditions (the “**Conditions**”) being satisfied on or before the Longstop Date:

(1) the Company:

- (A) having procured the approval of the Competent Body for the indirect transfer of subsoil use rights under the Contracts through sale and transfer of the Sale Shares;
- (B) having procured either (i) official waiver by the Competent Body of all its preemption rights in connection with the indirect transfer of subsoil use rights under the Contracts through sale and purchase to Reach Energy (being the SPV nominated by the Purchaser) of the Sale Shares or (ii) an official response from the Competent Body that a waiver of all its preemption rights in connection with the indirect transfer of subsoil use rights under the Contracts through sale and transfer to Reach Energy (being the SPV nominated by the Purchaser) of the Sale Shares is not required; and
- (C) having received (i) approval from shareholders of the Company at a general meeting, and (ii) to the extent required, consents, waivers, permissions and approvals in relation to the Transaction from the Stock Exchange and the Securities and Futures Commission of Hong Kong;

(2) the Purchaser:

- (A) having received the approval of the Securities Commission Malaysia for the purchase of the Sale Shares and the assignment and transfer of the Shareholder Loans in proportion to the Relevant Percentage pursuant to the Sale and Purchase Agreement;
- (B) having procured the passing at a general meeting of the Purchaser of a resolution approving the purchase of the Sale Shares and the assignment and transfer of the Shareholder Loans in proportion to the Relevant Percentage pursuant to the Sale and Purchase Agreement; and

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- (C) having received the approval from the Committee of the Republic Kazakhstan for Regulation of Natural Monopolies and Competition Protection for the acquisition of the Sale Shares on the terms of the Sale and Purchase Agreement.

None of the above Conditions are waivable. As at the Latest Practicable Date, none of the above Conditions has been fulfilled.

If one or more of the Conditions:

- (1) remains un-satisfied on the Longstop Date and has not been waived on or before that date; or
- (2) becomes impossible to satisfy on or before the Longstop Date and, if it is a Condition which can be waived, has not been waived within five (5) days of such Condition becoming impossible to satisfy. In such case, such Party shall immediately inform the other Party the occurrence of such impossibility and in such case the other Party shall not be required to fulfill the Conditions which the other Party is responsible to satisfy on or before the Longstop Date;

either Party may give notice to the other Party that it wishes to terminate the Sale and Purchase Agreement:

- (a) if it is a termination pursuant to (1) above, the Party who has failed to satisfy all or any of the Conditions which such Party is responsible to satisfy by the Longstop Date shall pay to the other Party the Break Fee provided that the other Party has satisfied the Conditions which the other Party is responsible to satisfy by the Longstop Date; and
- (b) if it is a termination pursuant to (2) above, the Party who has failed to satisfy all or any of the Conditions which such Party is responsible to satisfy because it becomes impossible to satisfy on or before the Longstop Date, such Party shall pay to the other Party the Break Fee and the other Party shall not be required to fulfill any of the remaining Conditions which the other Party is responsible to satisfy,

provided that no Break Fee is payable for a failure to satisfy the Condition set out in (2)(C) above. The Break Fee represents a genuine pre-estimate of the other Party's expense and costs arising from or in connection with the Sale and Purchase Agreement or the Transaction. The Break Fee was determined by the Parties based on arm's length negotiation.

If, following satisfaction or waiver of all the Conditions, any of the completion obligations of the Company and the Seller are not complied with by the Company on or before the Completion Date and the Purchaser chooses to terminate the Sale and Purchase Agreement, the Purchaser shall have the right to claim against the Company any loss or damage suffered by the Purchaser provided that the maximum aggregate liability of the Company shall not exceed US\$8,000,000.

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If, following satisfaction or waiver of all the Conditions, any of the completion obligations of the Purchaser are not complied with by the Purchaser on or before the Completion Date and the Company chooses to terminate the Sale and Purchase Agreement, the Company shall have the right to immediately draw on the Bank Guarantee and to the Purchaser any loss or damage suffered by the Company provided that the maximum aggregate liability of the Purchaser shall not exceed US\$8,000,000. The Company shall not be entitled to terminate the Sale and Purchase Agreement if any of the completion obligations of the Company are not complied with.

The cap of US\$8,000,000 above was determined after negotiation between the Parties.

The Purchaser has provided the Company with the Bank Guarantee on March 14, 2016. The Bank Guarantee shall be used to satisfy in full the Break Fee and/or in part any payment, liability or obligation of the Purchaser in the case of a termination by the Company for a failure by the Purchaser to comply with the completion obligations after satisfaction or waiver of all the Conditions under the Sale and Purchase Agreement.

2.6 Completion

Completion shall take place on the tenth (10th) day following the satisfaction or waiver of all the Conditions or at such other time as the Company and the Purchaser shall agree or at such other time as the Company and the Purchaser shall agree (“**Completion Date**”). If the tenth (10th) day is not a Business Day, then Completion shall be on the next day which is a Business Day.

Immediately after Completion, the Disposal Company will cease to be an indirectly wholly owned subsidiary of the Group and the Group (through the Seller) will hold 40% of the issued share capital of the Disposal Company. As at the Latest Practicable Date, the Company intended to retain the remaining shares in the Disposal Company.

2.7 Shareholders’ Agreement

To make provision for the management and administration of the Disposal Company’s affairs and business, the Parties including Reach Energy and the Disposal Company has signed the Shareholders’ Agreement on April 11, 2016, subject to the Shareholders’ Agreement coming into effect on the Completion Date.

Major terms and conditions of the Shareholders’ Agreement are as follows:

- ***Business of the Disposal Company***

The objective of the Disposal Company’s business, through Emir-Oil, is the exploration, production and exploitation of hydrocarbon resources in Kazakhstan, including but not limited to the business of production of oil under the Aksaz Production Contract, Dolinnoe Production Contract, Emir Production Contract and Kariman Production Contract and exploration of hydrocarbon materials under the Aksaz-Dolinnoe-Emir Exploration Contract.

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- ***Board and management***

The board of directors of the Disposal Company shall have five (5) directors. Reach Energy will have the right to nominate three (3) directors, whereas the Seller will have right to nominate two (2) directors. In the case where the shareholders of the Disposal Company agree that the board of directors of the Disposal Company shall have three (3) directors, Reach Energy will have the right to nominate two (2) directors, whereas the Seller will have right to nominate one (1) director. Directors of the Disposal Company can only be removed by the Disposal Company's general meeting at the request of the appointing shareholders. The board of directors of the Disposal Company shall have one chairman, who shall be a director elected from the directors appointed at the nomination of Reach Energy. The chairman shall not have a casting vote.

- ***Management of Emir-Oil***

The shareholders of the Disposal Company and the Disposal Company shall procure that the composition of the management board of Emir-Oil shall be in proportion to the respective shareholding percentage of Reach Energy and the Seller (and any other shareholder subsequent to the Completion Date) in the Disposal Company. The management board of Emir-Oil shall have five (5) members, among which, three (3) shall be appointed by Reach Energy, and two (2) shall be appointed by the Seller. The management board of Emir-Oil shall have one (1) chairman, who shall be elected from the members appointed by Reach Energy. The chairman shall not have a casting vote.

- ***Appointment of key personnel***

Reach Energy shall have the right to appoint the general director of Emir-Oil ("**General Director**") so long as Reach Energy remains the single largest shareholder in the Disposal Company and Reach Energy has obtained the approval of the management board of Emir-Oil before such appointment (whose approval shall not be unreasonably withheld).

The Seller shall have the right to appoint the finance and commercial manager of Emir-Oil ("**Finance and Commercial Manager**") who shall be in charge of finance and commercial matters subject to the Seller being the second largest shareholder in the Disposal Company; and provided such Finance and Commercial Manager is not a member of the management board of Emir-Oil, the approval of the management board of Emir-Oil (whose approval shall not be unreasonably withheld). The Finance and Commercial Manager shall report to the General Director.

- ***Reserved Matters***

Certain matters require the approval of shareholders holding at least seventy-five per cent. (75%) of the shares in the Disposal Company ("**Reserved Matters**"), include: approving and changing budgets and work plans which results in the incurring of any CAPEX exceeding by ten per cent (10%) over the amount for that

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item in the approved budget or work plan; entering into oil and gas sales arrangements; cancelling, extending or transferring hydrocarbon licenses or applying for new licenses; submitting reserve report or development plan to the government or releasing for listing compliance purpose; entering into major contract, liability or commitment which exceeds certain monetary thresholds; amending constitutional documents; amending the Shareholders' Agreement; paying dividends to shareholders or the granting or repaying shareholders' loans or interests; proposing for winding-up or liquidation; and transferring shares of Emir-Oil.

- ***Deadlock***

If shareholders of the Disposal Company fail to agree on the Reserved Matters, they may refer the matter to the respective chief executive officers (the "CEOs") of the Purchaser and the Company. If the dispute is not resolved by the CEOs within 3 months, the shareholders shall agree to engage an independent expert to render an opinion in relation to such dispute. If the shareholders cannot agree on which expert to engage, Reach Energy shall be entitled to appoint an independent expert from a list of two (2) experts provided by the Company; if Reach Energy fails to choose the expert, the Company is entitled to appoint an expert from the same list.

Where any independent expert has rendered his opinion, but the shareholders are still unable to resolve the dispute, Reach Energy may, at its sole discretion, elect to either to submit the matter to arbitration at the Singapore International Arbitration Centre or serve a notice in writing on the Seller requiring the Seller to sell all the shares in the Disposal Company held by the Seller at the sale price to be determined in accordance with the provisions of the Shareholders' Agreement. In the latter event, the Company shall comply with the applicable Listing Rules including, where applicable, the requirements to obtain shareholders' approval.

- ***Budgets, work plans and account***

Annual budgets and work plans

Annual budget and work plan of Emir-Oil shall be first approved by the board of the Disposal Company and once approved by the board of the Disposal Company the annual budget and work plan shall then be tabled before shareholders of the Disposal Company for approval. Certain expenditures (in relation to drilling, facility expansion, construction of pipelines and workover exceeding US\$3 million) are subject to the approval of the management board of Emir-Oil.

- ***Funding of the Disposal Company***

Funding additional to the budgets and work plans shall be determined jointly by the General Director and the Finance and Commercial Manager after consultation with the board of directors of the Disposal Company. Shareholders shall advance funds in proportionate to their shareholding in the Disposal Company if the funding proposal is approved by the board of directors of the Disposal Company.

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- ***Transfer of shares***

Restriction on share transfers

Shareholders of the Disposal Company shall not, other than in accordance with the provisions of the articles of the Disposal Company, the Shareholders' Agreement and other relevant agreements, sell, assign, transfer, create or permit to subsist any trust, confer any option, right or interest, enter into any agreement, arrangement or understanding in respect of the voting rights or dividends or other rights or payments, create, transfer or decrease any economic interest in or otherwise dispose of any shares or any interest in or rights attaching to any shares of the Disposal Company.

Permitted transfers

Any shareholder of the Disposal Company may at any time transfer shares of the Disposal Company to its Affiliates, provided that the transferee first enters into a deed of accession.

Right of pre-emption and tag-along rights

Each shareholder of the Disposal Company may transfer some or all of their shares to any third party purchaser (not being a transfer to an Affiliate) provided that the transferor shall offer to all other shareholders the shares proposed to be sold to the third party purchaser in accordance with the terms of the Shareholders' Agreement. The non-selling shareholder(s) shall have the right either (a) to purchase all the shares (or the number of shares in proportionate to their existing shareholding if more than one existing shareholders are to accept the offer) proposed to be sold on the same terms offered by the third party purchaser or at the price determined in accordance with the Shareholders' Agreement; or (b) to require the third party purchaser to purchase up to the pro rata portion of the shares held by it.

- ***Default and termination***

Events of Default

Events of default ("**Events of Default**") include the failure to provide funding and other shareholder duly gives notice that it wishes the failure to be an Event of Default; insolvency of the shareholder; material breach of the Shareholders' Agreement; events otherwise stipulated to be an Event of Default in the articles of the Disposal Company or in the Shareholders' Agreement; a change of control of a shareholder of the Disposal Company other than in the case of the Purchaser or the Company. The defaulting shareholder shall be deemed to offer to all other shareholders all of its shares in the Disposal Company at a price determined in accordance with the Shareholders' Agreement.

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Termination events

The Shareholders' Agreement may be terminated until the earlier of the following:

- (a) dissolution of the Disposal Company;
- (b) holding by one shareholder of one hundred per cent. (100%) of the shares of the Disposal Company; or
- (c) the agreement of all the parties to the Shareholders' Agreement that it be terminated.

If any of the parties shall invoke upon the provisions of deadlock, right of pre-emption and tag-along rights, and/or Events of Default under the Shareholders Agreement to sell or transfer the shares in the Disposal Company, the price per share ("**Prescribed Price**") in US dollar shall be as agreed between the proposing transferor or, as the case may be, the non-defaulting party and the other shareholders. If the parties fail to reach agreement, the Prescribed Price is the price per share to be determined by an expert pursuant to the terms of the Shareholders Agreement. One of the big four accounting firms mutually agreed by the parties shall be appointed as the expert. If no agreement is reached, then Deloitte shall be appointed as the expert (unless otherwise agreed by the parties).

3. INFORMATION ABOUT THE PARTIES

The Group

The Group is an independent oil and gas group engaged in the exploration and production of oil and gas in PRC, Kazakhstan and the United States of America.

The Seller

The Seller is an indirectly wholly-owned subsidiary of the Company and is the investment holding company of the Disposal Company.

The Purchaser

The Purchaser is an oil and gas special purpose acquisition company listed on the Main Market of Bursa Malaysia Securities Berhad. The Purchaser's management team comprises of E&P veterans with practical and technical field experiences and track record encompassing the entire value chain of the E&P sector from companies such as Exxon, Shell and Petronas. As of February 29, 2016, the Purchaser had RM755,297,965 (equivalent to approximately US\$188,824,491) (raised from its initial public offering in August 2014) in its trust account for use in its qualifying acquisition. The Disposal is considered a "qualifying acquisition" for the Purchaser.

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Reach Energy

Reach Energy is a limited liability company incorporated in Malaysia on April 6, 2016 to receive the transfer of the Sale Shares and Relevant Percentage of the Shareholder Loan. Reach Energy is a wholly-owned subsidiary of the Purchaser and is principally engaged in investment holding.

4. INFORMATION ABOUT THE DISPOSAL GROUP

The Disposal Company is a company organized and existing under the laws of the Netherlands. The Disposal Company is the investment holding company of Emir-Oil which is primarily engaged in the exploration, production and exploitation of hydrocarbon resources in Kazakhstan, including but not limited to the business of production of oil under the Aksaz Production Contract, Dolinnoe Production Contract, Emir Production Contract and Kariman Production Contract and exploration of hydrocarbon materials under the Aksaz-Dolinnoe-Emir Exploration Contract.

A summary of the components of the contract block as extracted from the Contracts is as follows:

Fields/Area	Type of field	Type of contract	Duration (years)	Commencement date	Expiry date	Area (km ²)
Producing Fields:						
— Kariman	Oil	Production Contract	25	September 9, 2011	September 9, 2036	12.24
— Dolinnoe	Oil	Production Contract	25	September 9, 2011	September 9, 2036	18.24
— Aksaz	Condensate-rich gas	Production Contract	25	September 9, 2011	September 9, 2036	11.48
— Emir	Oil	Production Contract	17	March 1, 2013	March 1, 2030	3.53
Exploration Area	—	Exploration Contract	2	January 9, 2015	January 9, 2017	<u>804.81</u>
Emir-Oil Concession Block						<u><u>850.30</u></u>

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The table below sets out the indicative 1P, 2P and 3P oil and natural gas reserves estimates of the Target Group as at year-end 2014 and 2015:

<i>Thousands of Barrels for Oil Millions of standard cubic feet for Gas</i>	Dec 31, 2014			Dec 31, 2015		
	Oil	Gas	BOE¹	Oil	Gas	BOE
Proved (1P)	33,799	43,232	41,005	32,525	36,006	38,526
Proved + Probable (2P)	97,864	95,111	113,717	96,150	92,380	111,547
Proved + Probable + Possible (3P)	130,203	122,219	150,574	124,952	120,438	145,025

Notes:

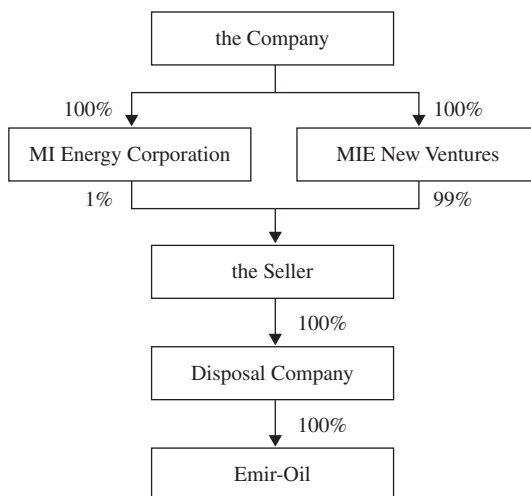
1. Barrels of oil equivalent (“BOE”, converting at 6 thousand standard cubic feet of gas to 1 BOE for reference purpose only)
2. The indicative 1P, 2P and 3P oil and natural gas reserves estimates of the Target Group as at year-end 2014 was extracted from Emir-Oil’s 2014 Reserve Report produced by Chapman Petroleum Engineering Ltd. in accordance with SPE-PRMS standard.
3. The indicated 1P, 2P and 3P oil and natural gas reserves estimates of the Target Group as at year-end 2015 was extracted from the Competent Person’s Report in Appendix I which was prepared in accordance with SPE-PRMS standard.

As at December 31, 2015, Emir-Oil operated a total 48 wells. For the full year 2015, Emir-Oil’s average daily oil production and average daily gas production was 3,412 BOPD and 5,893 MSCF/day respectively. The overall average realized oil price for Emir-Oil was US\$43.95/barrel with export sales comprising 88% of total sales volumes. The average realized export price (after deducting export sales and marketing commission of US\$5.56/barrel) was US\$48.41/barrel, and the average domestic price was US\$12.02/barrel. Average realized gas price was US\$0.95/MSCF.

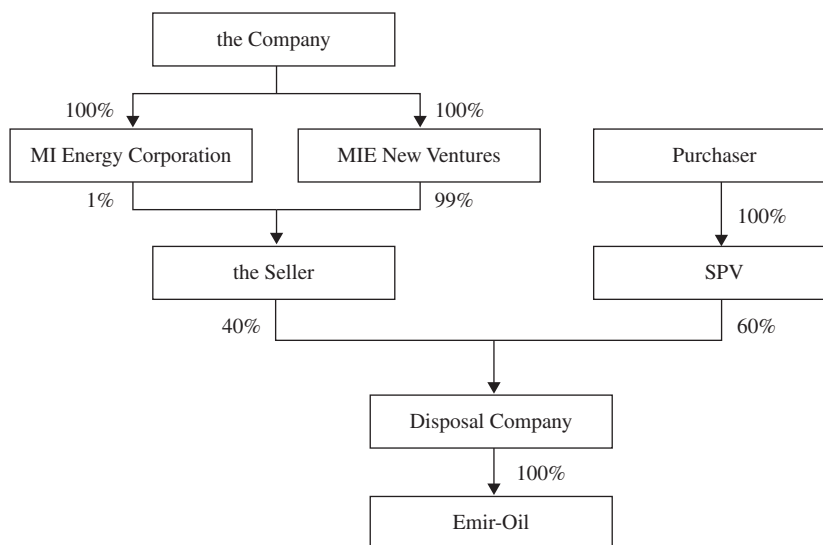
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Corporate Structure of the Disposal Group before and after Completion

Before Completion



After Completion



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5. FINANCIAL INFORMATION AND IMPACT OF THE DISPOSAL

As at September 30, 2015, the Disposal Group had unaudited combined total assets and net assets of approximately US\$518.9 million and US\$115.1 million, respectively. Selected combined financial information of the Disposal Group is set out below:

	For the financial year ended December 31,			For the 9-month period ended
	2012	2013	2014	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	88,279	126,443	121,452	41,108
Operating profit/(loss)	8,725	24,695	18,309	(8,567)
Profit/(loss) before taxation	6,677	14,797	14,347	(4,305)
Income tax (expenses)/credit	<u>(3,544)</u>	<u>2,449</u>	<u>(7,202)</u>	<u>(3,406)</u>
Profit/(loss) after taxation	<u><u>3,133</u></u>	<u><u>17,246</u></u>	<u><u>7,145</u></u>	<u><u>(7,711)</u></u>
Operating profit/(loss) margin (%)	9.88%	19.53%	15.08%	(20.84%)
Profit/(loss) after taxation margin (%)	3.55%	13.64%	5.88%	(18.76%)
Shareholder's funds	75,496	95,078	121,774	115,094
Total borrowings	175,439	203,323	240,169	285,537
Number of shares in issue	18,000	18,000	18,000	18,000
Shareholder's fund per share	4.19	5.28	6.77	6.39
Gearing ratio (times)	2.32	2.14	1.97	2.48

Notes:

(1) Based on total borrowings divided by shareholders' funds.

Based on the unaudited book value of the Sale Shares and the Relevant Percentage of the Shareholder Loans of approximately US\$236.6 million (as at September 30, 2015), and assuming Net Contribution of US\$21 million, the expected net proceeds from the Disposal will be US\$173.8 million; accordingly, it is estimated that the Group will record a loss of approximately US\$83.8 million at Completion.

Upon Completion, it is estimated that the total assets of the Group would decrease by approximately US\$262.8 million and that the total liabilities of the Group would decrease by approximately US\$124.5 million, representing a net decrease in net assets of US\$138.3 million based on the unaudited consolidated financial statements of the Group as at September 30, 2015. Such a decrease in net assets is calculated by reference to: (i) addition of the Transaction

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Consideration; (ii) subtraction of the book value of the deconsolidated assets and liabilities of the Disposal Group as a subsidiary; (iii) addition of the fair value of the 40% equity interest in the Disposal Group retained by the Company; and (iv) subtraction of the transaction costs and expenses attributable to the Transaction.

Upon Completion, the Disposal Company will cease to be an indirectly wholly owned subsidiary of the Group and the accounts of the Disposal Company will no longer be consolidated in the financial statements of the Group thereafter. The Disposal Company will be accounted for using equity method.

6. REASONS FOR AND BENEFITS OF THE DISPOSAL

Since the acquisition of Emir-Oil in 2011, the Group has contributed tremendous expertise and resources that has led to many remarkable operational milestones of Emir-Oil, which include the increased production from approximately 2,170 barrels per day to a peak of above 5,000 barrels per day in 2014 as well as horizontal well drilling. The Group considers it is now our best interests and optimal timing to team up a strong strategic partner to maximize the growth and economic value of Emir-Oil with such prolific 2P reserves and high potential of further reserves/resources upgrade. In addition, this divestment opportunity enhances the financial strength and liquidity of the Group under current volatile oil price environment while allowing the Group to maintain a stake in an attractive asset. The Company and Emir-Oil is confident that the experienced management team of the Purchaser will bring significant value to the assets and create synergy for the Disposal Group. Being listed on the Main Market of Bursa Malaysia Securities Berhad, the Purchaser also opens up an additional source of capital raising for the Disposal Company, thereby further preparing Emir-Oil to be able to capitalize on the rapid expansion and growth once oil price recovers.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal are fair and reasonable and on normal commercial terms and that the entering into of the Sale and Purchase Agreement and the Transaction are in the interest of the Company and the Shareholders as a whole.

7. USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal after deducting related transaction costs and expenses are estimated to be US\$173.8 million. The Group intends to apply the net proceeds from the Disposal for general working capital of the Group.

8. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the Relevant Ratios in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules and is therefore subject to approval of the Shareholders by way of poll at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders has a material interest in the Disposal, no Shareholders is required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Disposal.

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In compliance with the requirements of Chapter 18 of the Listing Rules, the Company has appointed the Competent Person to issue the Competent Person's Report to provide the estimated amount of resources and reserves in respect of the Disposal Company in accordance with SPE-PRMS standard.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Competent Person and its ultimate beneficial owners are Independent Third Parties.

9. EGM

You will find on page EGM-1 of this circular a notice of the EGM to be held at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on June 20, 2016 immediately after the conclusion or adjournment of annual general meeting of the Company for the year 2016.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend and vote at the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude shareholders from attending and voting in person at the EGM if they so wish.

10. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the relevant resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

11. OTHER INFORMATION

Your attention is also drawn to the appendices to this circular and the notice of the EGM.

Yours faithfully,
For and on behalf of the Board
Zhang Ruilin
Chairman