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MIE HOLDINGS CORPORATION

MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF OILFIELD SERVICES AGREEMENT AND EXCEEDING OF EXISTING 2018 ANNUAL CAP

CONTINUING CONNECTED TRANSACTIONS

Renewal of Oilfield Services Agreement

Reference is made to the announcement of the Company dated December 31, 2015 (the “**Announcement**”), whereby, inter alia, Jilin Guotai, Guotai Technology and the Company entered into the Oilfield Services Agreement for a term of three years ending December 31, 2018, which constituted continuing connected transactions of the Company under the Listing Rules. As the Group will continue such transactions following the expiry of the current term ending December 31, 2018, the Company has entered into the Renewed Oilfield Services Agreement, details of which are described below.

On December 6, 2018, Jilin Guotai, Guotai Technology, Guotai Drilling and the Company entered into the Renewed Oilfield Services Agreement for a term of three years ending December 31, 2021, pursuant to which Jilin Guotai, Guotai Technology and Guotai Drilling agreed to provide, and procure that their respective subsidiaries provide, to the Group from time to time various oilfield services including well maintenance services, well logging services, fracturing services, oil tanker transportation services, oilfield construction related works and other oil operations related services, subject to the entering into of individual contracts as agreed between members of Jilin Guotai Group and members of the Group from time to time, pursuant to the Renewed Oilfield Services Agreement.

Exceeding of Existing 2018 Annual Cap

During a recent internal regular review of the transaction data of the Company, it came to the attention of the Board that the total transaction amount paid or to be paid by our Company for services procured under the Oilfield Services Agreement was approximately RMB117.9 million, which exceeded the Existing 2018 Annual Cap stated in the Announcement (namely RMB82 million) by an amount of approximately RMB35.9 million (representing approximately 43.8% of the Existing 2018 Annual Cap). This constitutes a breach of Rule 14A.36 of the Listing Rules.

Implications under the Listing Rules

As at the date of this announcement, Jilin Guotai is owned as to 70% by Mrs. Zhang, the spouse of Mr. Zhang and as to 30% by Mr. Zhao. Guotai Technology and Guotai Drilling are both subsidiaries of Jilin Guotai as at the date of this announcement. As such, Jilin Guotai, Guotai Technology and their respective subsidiaries are connected persons of the Company under the Listing Rules, by virtue of each being an associate of Mr. Zhang and Mr. Zhao.

Accordingly, the continuing transactions between the Group and Jilin Guotai, Guotai Technology, Guotai Drilling and their respective subsidiaries constitute continuing connected transactions for the Company under the Listing Rules. As the Proposed Annual Caps are each expected to represent 5% of one or more of the applicable percentage ratios under the Listing Rules and exceed HK\$10 million, the Renewed Oilfield Services Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Also, as (i) the Actual 2018 Transaction Amount exceeded the Existing 2018 Annual Cap, (ii) the highest applicable percentage ratio in respect of the Actual 2018 Transaction Amount exceeded 5% and (iii) the annual consideration for the year ending December 31, 2018 exceeded HK\$10 million, the transactions under the Oilfield Services Agreement with Jilin Guotai, Guotai Technology and Guotai Drilling for the year ending December 31, 2018 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.54 of the Listing Rules, the Company is in the process of re-comply with the requirements under Chapter 14A of the Listing Rules. The Board will seek the approval of Independent Shareholders for the Ratification at the EGM.

A circular containing, among other matters, (i) a letter from the Board containing further details of the transactions contemplated under the Renewed Oilfield Services Agreement (including the Proposed Annual Caps) and the Ratification; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Renewed Oilfield Services Agreement and the Ratification; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before December 31, 2018. Mr. Zhang, Mr. Zhao and their respective associate(s) shall abstain from voting on the relevant resolution(s) to be passed at the EGM.

Since the Renewed Oilfield Services Agreement is subject to the fulfilment of the condition precedent set out therein and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

RENEWAL OF OILFIELD SERVICES AGREEMENT

Reference is made to the Announcement, whereby, *inter alia*, Jilin Guotai, Guotai Technology, Guotai Drilling and the Company entered into the Oilfield Services Agreement for a term of three years ending December 31, 2018, which constituted continuing connected transactions of the Company under the Listing Rules. As the Group will continue such transactions following the expiry of the current term ending December 31, 2018, the Company has entered into the Renewed Oilfield Services Agreement, details of which are described below.

The Renewed Oilfield Services Agreement

Date: December 6, 2018

Parties: (1) Jilin Guotai (on behalf of itself and its subsidiaries);
(2) Guotai Technology (on behalf of itself and its subsidiaries);
(3) Guotai Drilling (on behalf of itself and its subsidiaries); and
(4) the Company (on behalf of itself and its subsidiaries)

Nature of the transactions

Under the Renewed Oilfield Services Agreement, Jilin Guotai, Guotai Technology and Guotai Drilling agreed to provide, and procure that their respective subsidiaries provide, and the Group agreed to utilize, from time to time various oilfield services including well maintenance services, well logging services, fracturing services, oil tanker transportation services, oilfield construction related works and other oil operations related services (the “**Oilfield Services**”), subject to the entering into of individual contracts as agreed between members of Jilin Guotai Group and members of the Group from time to time. The terms of the individual contracts between members of the Group and the members of Jilin Guotai Group are subject to announcement, declaration and Independent Shareholders’ approval required by the Stock Exchange (where applicable). In addition, the terms of each individual contract between members of the Group and the members of Jilin Guotai Group are subject to review and approval of the procurement representative from the joint management committee (“**JMC**”). The joint management committee, comprising equal number of members appointed by PetroChina and the Company, shall perform supervisory functions for the Group’s oilfields under the relevant production sharing contract. Any action taken by the JMC must be made unanimously.

Pricing policies

The service fees for the provision of the Oilfield Services will be based on normal commercial terms and negotiated on arm's length basis between the parties with reference to prevailing market rates, and shall be no less favourable than those offered by independent third parties to the Group.

Subject to the general principle disclosed above, the pricing policy for the provision of each of the Oilfield Services is briefly described as follows. Prior to entering into any service contract with Jilin Guotai Group, the relevant member of the Group will obtain prevailing market price in the open market. Under the supervision of the JMC, the relevant member of the Group will subsequently shortlist at least two independent third party suppliers via a tender process or other process (including requesting for fee quotations). It will then conduct an evaluation, taking into account the prevailing market price for the provision of the Oilfield Services and the relevant costs. In general, the relevant member of the Group will first consider the supplier with the lowest quotation or tender amount. The relevant member of the Group will also take into consideration other non-cost factors, including but not limited to relevant experience, capability, equipment and safety records of the relevant supplier. After considering the above mentioned factors, the management of the relevant member of the Group will then decide on whether to award the contract to Jilin Guotai Group.

Proposed Annual Caps

As disclosed in the Announcement, the proposed annual caps for the transactions under the Oilfield Services Agreement for the three years ending December 31, 2018 were RMB99 million, RMB96 million and RMB82 million, respectively. The aggregate service fees paid or to be paid by the Group to the Jilin Guotai Group for services procured for each of the two years ended December 31, 2017 and the 11 months ended November 30, 2018 were approximately RMB70.0 million, RMB60.8 million and RMB117.9 million, respectively.

The proposed annual caps for the transactions contemplated under the Renewed Oilfield Services Agreement are RMB167 million, RMB189 million and RMB208 million for the three years ending December 31, 2021, respectively. Such annual caps are determined by reference to the historical values of the transactions between the Group and members of Jilin Guotai Group for Daan production sharing contracts and the anticipated demand for such services by the Group taking into account the requirements of Daan production sharing contracts, which are primarily involved in oil and gas development and production in the PRC, respectively. In determining such annual caps, the expected increase in average oil prices, according increase in the Group's oil operational production and production stabilization efforts and the business growth prospects of the Group were also taken into consideration.

Condition precedent

The Renewed Oilfield Services Agreement is subject to and conditional upon the approval by the Independent Shareholders of the Company of the Renewed Oilfield Services Agreement, the transactions contemplated thereunder and the Annual Caps in accordance with the applicable requirements of the Listing Rules and the articles of association of the Company.

Reasons for the transactions

The Group is principally engaged in oil and gas exploration, development and production, and the Oilfield Services currently provided and to be provided under the Renewed Oilfield Services Agreement are therefore necessary and conducive to the operations of the Group. Jilin Guotai Group is one of the largest non-state owned oilfield service companies providing the oilfield services in Jilin Province. The Company believes that the rates offered by state-owned oilfield service companies in general are more expensive. Further, state-owned oilfield service companies normally give priority to state-owned oil companies and have less flexibility in terms of scheduling. On the other hand, Jilin Guotai Group has been reliable, providing high quality service to the Group in a timely manner upon the Group's request, even during peak periods, and at rates lower than those offered by state-owned oilfield service companies. On the other hand, the Renewed Oilfield Services Agreement allows members of the Group the flexibility but not the obligation to procure relevant Oilfield Services from Jilin Guotai Group. Given the long-term cooperation between members of the Group and Jilin Guotai Group, the Directors believe that the entering into the Renewed Oilfield Services Agreement (i) can create synergies arising from familiarity amongst parties, hence allowing more effective communication and higher work efficiency; and (ii) allows members of the Group the flexibility but not the obligation to procure relevant Oilfield Services.

The Directors, including the independent non-executive Directors, therefore are of the view that it is beneficial for the Group to continue cooperating with Jilin Guotai Group by securing its provision of the Oilfield Services via entering into the Renewed Oilfield Services Agreement. The Directors, including the independent non-executive Directors, consider that the transactions between Jilin Guotai and their subsidiaries and the Group were entered into after arm's length negotiations and are on normal commercial terms and that the terms of such transactions and the proposed annual caps described above are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

As both Mr. Zhang and Mr. Zhao were considered as having a material interest in the Renewed Oilfield Services Agreement and the transactions contemplated thereunder, they have abstained from voting at the relevant board meeting in respect of the resolutions to approve the transactions.

Exceeding of Existing 2018 Annual Cap

During a recent internal regular review of the transaction data of the Company, it came to the attention of the Board that the total transaction amount paid and to be paid by our Company for services procured under the Oilfield Services Agreement was approximately RMB117.9 million, which exceeded the Existing 2018 Annual Cap stated in the Announcement (namely RMB82 million) by an amount of approximately RMB35.9 million (representing approximately 43.8% of the Existing 2018 Annual Cap). This constitutes a breach of Rule 14A.36 of the Listing Rules.

Reasons for exceeding the Existing 2018 Annual Cap

When the annual caps were set for the Oilfield Services Agreement for the three years ending December 31, 2018 (including the Existing 2018 Annual Cap), the oil sale price in Daqing was approximately US\$30/bbl, and the Group did not plan to carry out any drilling

program and/or high amounts of workover program. However, the oil price saw a significant increase this year and the average oil sale price in Daqing for the first 11 months of 2018 amounted to about US\$65/bbl. Accordingly, in view of the increase in oil price in recent months, the Company decided to take advantage of the trend of increase in oil price and increased oil development and production in its oilfields (including drilling new wells and increasing workovers on old wells) pursuant to a revised annual work program approved by the JMC, all of which the Company believes was helpful in stabilizing the oil production for its most prolific oilfield and enhancing cash flow of the Company. Therefore, as a result of the increased oil development and production in the Group's oilfields, there was also a corresponding increase over the last year of oilfield services provided by Jilin Guotai Group and utilized by the Group under the Oilfield Services Agreement and exceeded the relevant approved cap for continuing connected transactions. This oversight was discovered when the Company was conducting a recent internal regular review of its transaction data.

Measures adopted by the Company for future compliance

The Directors consider that the failure to re-comply with the requirements under Rule 14A.54(1) of the Listing Rules on a timely basis, which was inadvertent and regretful, was an isolated event. In order to avoid any occurrence of similar events in the future, the Company has taken necessary and additional measures to strengthen the reporting and documentation system of the Group including:

- (i) conducting more frequent reviews on the aggregate volume of the continuing connected transactions and checking with the finance and operations departments on the forecast over the volume of the continuing connected transactions to avoid the approved annual cap regarding the continuing connected transactions from being exceeded;
- (ii) expediting the data collection and cross-checking process within the Group so as to ensure all necessary requirements of the Listing Rules are complied with;
- (iii) enhancing the supervision of the continuing connected transactions of the Group by providing transaction data on a monthly basis (as a line item in the management accounts) for review and monitoring by the management of the Company; and
- (iv) providing additional training to all managerial staff and relevant employees on continuing connected transactions so that the Company may comply with the Listing Rules in a timely manner.

In addition, the Company will also make timely announcement(s) and seek Independent Shareholders' pre-approval, initiated by the Board, in the event that any adjustment to an annual cap becomes foreseeable, based on the monthly reports submitted.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Jilin Guotai is owned as to 70% by Mrs. Zhang, the spouse of Mr. Zhang and as to 30% by Mr. Zhao. Guotai Technology and Guotai Drilling are both subsidiaries of Jilin Guotai as at the date of this announcement. As such, Jilin Guotai, Guotai Technology and their respective subsidiaries are connected persons of the Company under the Listing Rules, by virtue of each being an associate of Mr. Zhang and Mr. Zhao.

Accordingly, the continuing transactions between the Group and Jilin Guotai, Guotai Technology, Guotai Drilling and their respective subsidiaries constitute continuing connected transactions for the Company under the Listing Rules. As the Proposed Annual Caps are each expected to represent 5% of one or more of the applicable percentage ratios under the Listing Rules and exceed HK\$10 million, the Renewed Oilfield Services Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Also, as (i) the Actual 2018 Transaction Amount exceeded the Existing 2018 Annual Cap, (ii) the highest applicable percentage ratio in respect of the Actual 2018 Transaction Amount exceeded 5% and (iii) the annual consideration for the year ending December 31, 2018 exceeded HK\$10 million, the transactions under the Oilfield Services Agreement with Jilin Guotai, Guotai Technology and Guotai Drilling for the year ending December 31, 2018 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.54 of the Listing Rules, the Company is in the process of re-complying with the requirements under Chapter 14A of the Listing Rules. The Board will seek the approval of Independent Shareholders for the Ratification at the EGM.

A circular containing, among other matters, (i) a letter from the Board containing further details of the transactions contemplated under the Renewed Oilfield Services Agreement (including the Proposed Annual Caps) and the Ratification; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Renewed Oilfield Services Agreement and the Ratification; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before December 31, 2018. Mr. Zhang, Mr. Zhao and their respective associate(s) shall abstain from voting on the relevant resolution(s) to be passed at the EGM.

INFORMATION ON THE GROUP, JILIN GUOTAI, GUOTAI TECHNOLOGY AND GUOTAI DRILLING

The Group is principally engaged in the exploration, development, production and sale of oil, gas and other petroleum products. The Group is currently entitled to 100% and 10% participating interest in the foreign contractors' entitlement and obligations under the production sharing contracts for the Daan oilfield and Moliqing oilfield respectively. The Daan and Moliqing oilfields are situated in Jilin Province and are the Group's most productive oil field in the PRC. The Group also participates as an associate in the exploration, development and production of petroleum assets located in the Republic of Kazakhstan and the northern part of the South China in the PRC.

Jilin Guotai is a company incorporated in the PRC. As at the date of this announcement, Jilin Guotai is one of the largest oilfield service providers in Songyuan, Jilin Province and is principally engaged in well maintenance, well logging, well cementing, fracturing, downhole operation, and processing and sale of drilling and extraction accessories. Guotai Technology is a company incorporated in the PRC and a wholly-owned subsidiary of Jilin Guotai as at the date of this announcement. It is primarily engaged in providing oilfield services focusing on chemical enhanced oil recovery and plans to expand its scope of services to include well

maintenance, well logging, well cementing, fracturing, downhole operation and processing and sale of drilling and extraction accessories. Guotai Drilling is a company incorporated in the PRC and a non-wholly owned subsidiary of Jilin Guotai as at the date of this announcement. It is primarily engaged in providing oilfield services focusing on fracturing.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise.

“Actual 2018 Transaction Amount”	the total transaction amount of approximately RMB117.9 million paid by the Company under the Oilfield Services Agreement to Jilin Guotai Group for the year ending December 31, 2018
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	MIE Holdings Corporation (stock code: 1555), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing 2018 Annual Cap”	the existing annual cap of RMB82 million for the year ending December 31, 2018 under the Oilfield Services Agreement
“Group”	the Company and its subsidiaries from time to time
“Guotai Drilling”	Jilin Guotai Drilling Engineering Technology Service Company* (吉林國泰鑽採工程技術服務有限責任公司), a company incorporated in the PRC and a non-wholly owned subsidiary of Jilin Guotai as at the date of this announcement
“Guotai Technology”	Songyuan Guotai Petroleum Technology Service Company* (松原市國泰石油科技服務有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Jilin Guotai as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Mr. Zhang, Mr. Zhao and their respective associates
“independent third party”	has the meaning ascribed to it under the Listing Rules

“Jilin Guotai”	Jilin Guotai Petroleum Development Company* (吉林省國泰石油開發有限公司), a company incorporated in the PRC and held as to 70% by Mrs. Zhang and 30% by Mr. Zhao as at the date of this announcement
“Jilin Guotai Group”	Jilin Guotai, Guotai Technology, Guotai Drilling and their respective subsidiaries from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	an executive Director, chairman and chief executive officer of the Company
“Mr. Zhao”	an executive Director and senior vice president of the Company
“Oilfield Services Agreement”	the framework agreement dated December 31, 2015 entered into between Jilin Guotai, Guotai Technology and the Company under which Jilin Guotai and Guotai Technology agreed to provide, and procure that their respective subsidiaries provide, to the Group from time to time the Oilfield Services
“PetroChina”	PetroChina Company Limited, an independent third party
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Taiwan, Hong Kong and the Macao Special Administrative Region
“Proposed Annual Caps”	the proposed annual caps in respect of the continuing connected transactions contemplated under the Renewed Oilfield Services Agreement for the three years ending December 31, 2021
“Ratification”	the ratification of the Existing 2018 Annual Cap by an amount equal to the Actual 2018 Transaction Amount
“Renewed Oilfield Services Agreement”	the framework agreement entered into on December 6, 2018 between Jilin Guotai, Guotai Technology, Guotai Drilling and the Company, pursuant to which Jilin Guotai, Guotai Technology and Guotai Drilling agreed to provide, and procure that their respective subsidiaries provide, to the Group from time to time the Oilfield Services
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary” has the meaning ascribed to it under the Listing Rules

“%” per cent

* *for identification purposes only*

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

Hong Kong, December 6, 2018

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin and Mr. Zhao Jiangwei; (2) the non-executive directors namely Ms. Xie Na and Mr. Jiao Qisen; and (3) the independent non-executive directors namely Mr. Mei Jianping, Mr. Jeffrey Willard Miller and Mr. Guo Yanjun.