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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF ASSETS

THE DISPOSAL

The Board is pleased to announce that on 16 October 2018 (after trading hours) (Calgary time), the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Assets, at the Base Price of C\$30.0 million (approximately HK\$180.7 million) (subject to adjustments).

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement. On 16 October 2018, the Company has obtained written approval for the Agreement and the transactions contemplated thereunder from each of New Sun, Champion, Orient and Power holding in aggregate 1,469,600,000 Shares representing approximately 50.01% of the issued share capital of the Company as at the date of this announcement. New Sun, Champion, Orient and Power are all indirect wholly owned subsidiaries of Far East Energy, the ultimate holding company of the Company. Therefore, no general meeting will be convened to consider and approve the Agreement pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, further particulars of the Agreement will be despatched to the Shareholders for their information. Pursuant to Rule 14.41(a) of the Listing Rules, the circular is required to be despatched to the Shareholders within 15 business days after publication of this announcement, that is, on or before 8 November 2018.

Closing of the Disposal is subject to the Conditions Precedent. Accordingly, the Disposal may or may not proceed and Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 16 October 2018 (after trading hours) (Calgary time), the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Assets, at the Base Price of C\$30.0 million (approximately HK\$180.7 million) (subject to adjustments).

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date

16 October 2018

Parties

- (i) the Vendor; and
- (ii) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected person(s).

Subject matter of the Disposal

The Assets are the entire legal and beneficial interest of the Vendor in certain Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous Interests located in northwestern Alberta, Canada.

Consideration

Purchase Price and adjustments

The aggregate Consideration under the Agreement shall be the purchase price (the “**Purchase Price**”), which shall be determined as follows: (i) C\$30.0 million (approximately HK\$180.7 million) (the “**Base Price**”); (ii) plus interest on the Base Price (as calculated pursuant to the terms of the Agreement); and (iii) plus or minus (as applicable) the net amount of any operating adjustments as at the Closing Date pursuant to the terms of the Agreement.

Operating adjustments

Subject to the terms of the Agreement, all benefits and obligations of any kind and nature relating to the operation of the Assets conveyed pursuant to the Agreement, excluding income taxes but otherwise including without limitation maintenance, development, operating and capital costs, government incentives and administration fees, royalties and other burdens, and proceeds from the sale of production whether accruing, payable or paid and received or receivable, shall be adjusted between the parties as of the Adjustment Date in accordance with generally accepted accounting principles.

Interest on Base Price

At Closing, the Purchaser shall pay to the Vendor an amount equal to the interest that would have accrued on the Base Price, at the Prime Rate, calculated daily and not compounded, from and including the Adjustment Date to and including 31 August 2018, which amount shall constitute an increase to the Purchase Price and shall be allocated to the Petroleum and Natural Gas Rights.

Payment of Consideration

The Purchaser shall pay to the Vendor, at Closing, (i) the Purchase Price and (ii) the GST payable in respect of the Assets, by wire transfer to an account designated by the Vendor to the Purchaser in writing at least two Business Days prior to Closing.

The Consideration was determined on normal commercial terms after arm’s length negotiations between the Vendor and the Purchaser with reference to a number of factors, including production rates, reserve values and the strategic value of the assets to the Vendor.

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

Conditions precedent

Closing is conditional on the following conditions precedent being satisfied or waived (if applicable):

Purchaser's conditions

The obligation of the Purchaser to purchase the Vendor's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of the Purchaser and may be waived by the Purchaser:

- (i) the representations and warranties of the Vendor as set out in the Agreement shall be true in all material respects when made and as of the Closing Date;
- (ii) all obligations of the Vendor as set out in the Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (iii) from the Adjustment Date to the Closing Time, the Assets shall have suffered no material, adverse physical damage or change. For clarity, a reduction in the price received for the sale of Petroleum Substances is not a material, adverse damage or change;
- (iv) the Vendor shall have delivered to Purchaser at or prior to Closing discharges, releases or no interest letters of any security held by any third party encumbering the Vendor's interest in and to the Assets or any part or portion thereof, which discharges, releases or no interest letters are requested by Purchaser a reasonable time prior to Closing; and
- (v) the Vendor shall have satisfied (iv) and (v) of the Vendor's conditions as set out below.

Vendor's conditions

The obligation of the Vendor to sell its interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of the Vendor and may be waived by the Vendor:

- (i) the representations and warranties of the Purchaser as set out in the Agreement shall be true in all material respects when made and as of the Closing Date;
- (ii) all obligations of the Purchaser as set out in the Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (iii) all amounts to be paid by the Purchaser to the Vendor at Closing shall have been paid to the Vendor in the form stipulated in the Agreement;
- (iv) on or before five Business Days prior to Closing, the Vendor shall have obtained approval for the transaction contemplated herein from its board of directors; and
- (v) the Vendor shall receive confirmation from the Company that all of the requirements under the Listing Rules (including, without limitation, the Shareholders' approval requirements under Chapter 14 of the Listing Rules), which are applicable to the transactions contemplated under the Agreement, have been satisfied.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with (through no act, default or omission of the Vendor or the Purchaser (as the case may be)), or waived by the Vendor or the Purchaser (as the case may be), at or before the earlier of the date specified above or the Closing Date, the Vendor or the Purchaser (as the case may be), may rescind the Agreement by written notice to other party. If a party rescinds the Agreement, the Vendor and the Purchaser shall be released and discharged from all obligations (unless specifically provided otherwise in the Agreement).

Closing

Closing shall take place on the Closing Date.

INFORMATION ABOUT THE PARTIES

The Group

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 PSCs 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. In addition, the Group has a diverse producing, resource and infrastructure oil and gas asset throughout Western Canada. 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.

The Purchaser

The Purchaser is listed on the Toronto Stock Exchange and based on publicly available information is a Canadian senior crude oil and natural gas exploration and production company focused on exploration, development, production and acquisition in the western Canadian sedimentary basin.

FINANCIAL INFORMATION ON THE ASSETS AND FINANCIAL IMPACT OF THE DISPOSAL

The net profits (before taxation and extraordinary items) attributable to the Assets for the two financial years ended 31 December 2017 were C\$3.1 million (approximately HK\$18.7 million) for the year ended 31 December 2017 and C\$2.8 million (approximately HK\$16.9 million) for the year ended 31 December 2016) respectively. The net profits (after taxation)^(Note) attributable to the Assets for the two financial years ended 31 December 2017 were C\$2.3 million (approximately HK\$13.9 million) for the year ended 31 December 2017 and C\$2.1 million (approximately HK\$12.7 million) for the year ended 31 December 2016 respectively.

Note: Tax resource pools are comingled and are not specifically identifiable to the Assets. Therefore, tax resource deductions specific to the Assets cannot be calculated with a degree of certainty. For simplicity, a general 27% corporate income tax rate was applied for calculation of the after taxation net profits. There were no extraordinary items during the two financial years ended 31 December 2017.

The net book value of the Assets was C\$23.9 million (approximately HK\$144.0 million) as at 30 June 2018. For illustrative purposes, based on the difference between the Consideration and the net book value of the Assets, less operating adjustments and transaction expenses, there will be a book gain of approximately C\$4.6 million (approximately HK\$27.7 million) from the Disposal. However, such calculation is an estimate provided for illustrative purposes only and the accounting treatment of any potential gains or losses arising from the sale of the Assets will be subject to further review and adjustments by the auditors of the Vendor.

USE OF PROCEEDS

The net proceeds to the Vendor from the Disposal after deducting related transaction costs and expenses are estimated to be C\$29.0 million (approximately HK\$174.7 million). The Vendor intends to apply the net proceeds from the Disposal towards (i) further repayment of certain senior secured credit facilities granted by syndicate banks in Canada and (ii) general working capital of the Vendor.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Assets were acquired by the Group as part of the Group's very substantial acquisition in the fourth quarter of 2017 as the Assets formed part of the assets held by CQ Energy Canada Partnership. However, the Assets under the Disposal are considered to be non-strategic in the future development of the Group and will not be seeing future investment and growth by the Vendor. It is in accordance with the normal market practice in Canada for the Group to dispose of non-strategic assets in order to realign its resources, and the Board believes that the Disposal is in accordance with such market practice.

Accordingly, the Disposal, as part of the Vendor's ongoing efforts to divest its non-core assets, will further enhance the financial strength of the Group and will allow the Group to maintain a focused and concentrated core asset base.

Reference is also made to the announcement of the Company dated 24 September 2018 on the very substantial disposal and connected transaction in relation to the proposed disposal of the entire equity interest in Maple Marathon Investments Limited (being a wholly-owned subsidiary of the Company) (the "**Connected VSD**"). The counterparties under the Connected VSD and the Disposal are not the same, and to the best of the Directors' knowledge, information and belief, such counterparties are also not connected or otherwise associated with one another. In addition, the Connected VSD and the Disposal are not inter-conditional upon each other.

Based on the above and the terms of the Agreement, the Board is of the view that: (i) the Disposal is in the interest of the Company and the Shareholders as a whole; (ii) the terms of the Agreement are fair and reasonable; and (iii) the entering into of the Agreement is in the interest of the Company and Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement. On 16 October 2018, the Company has obtained written approval for the Agreement and the transactions contemplated thereunder from each of New Sun, Champion, Orient and Power holding in aggregate 1,469,600,000 Shares representing approximately 50.01% of the issued share capital of the Company as at the date of this announcement. New Sun, Champion, Orient and Power are all indirect wholly owned subsidiaries of Far East Energy, the ultimate holding company of the Company. Therefore, no general meeting will be convened to consider and approve the Agreement pursuant to Rule 14.44 of the Listing Rules.

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DEFINITIONS

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

“Adjustment Date”	8:00 a.m. (Calgary time) on 1 June 2018
“Agreement”	the agreement of purchase and sale dated 16 October 2018 entered into between the Vendor and the Purchaser in relation to the Disposal
“Assets”	all of the Vendor's right, title, estate and interest (whether absolute, contingent, legal or beneficial) in and to the Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous Interests, but notwithstanding anything to the contrary in the Agreement, which excludes the Excluded Assets
“Board”	the board of Directors
“Business Days”	a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta, Canada

“C\$”	Canadian dollars, the lawful currency of Canada
“Champion”	Champion International Energy Limited, a company incorporated in the British Virgin Islands, which owns 399,070,000 Shares
“Closing”	Completion of the Disposal in accordance with the terms and conditions of the Agreement
“Closing Date”	10:00 a.m. on the earlier of (i) 31 October 2018, or (ii) two Business Days after satisfaction or waiver of (v) of the Vendor’s conditions precedent, or such other time and date as the parties to the Agreement may agree upon in writing
“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
“Conditions Precedent”	conditions precedent to the Closing, details of which are set out in the paragraph headed “Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed to under the Listing Rules
“Consideration”	the total consideration payable by the Purchaser pursuant to the Agreement, details of which are set out in the paragraph headed “Consideration” in this announcement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Assets pursuant to the terms and conditions of the Agreement
“Excluded Assets”	certain interests of the Vendor specifically excluded in the Agreement, including without limitation specific firm transportation receipt (FT-R) contracts of 180 e ³ m ³ /day as described in the Agreement
“Far East Energy”	Far East Energy Limited, a company incorporated in Hong Kong and is owned as to 80% by Ms. Zhao Jiangbo, 9.99% by Mr. Zhang Ruilin and 10% by Mr. Zhao Jiangwei. They have entered into an acting-in-concert agreement under which they agreed to act in concert in relation to all matters that require the decisions of the shareholders of Far East Energy. Pursuant to the acting-in-concert agreement, if a unanimous opinion in relation to the matters that require action in concert is unable to be reached, Mr. Zhang Ruilin shall be allowed to vote on his, Ms. Zhao Jiangbo’s and Mr. Zhao Jiangwei’s shares

“GST”	the goods and services tax administered pursuant to the Excise Tax Act of Canada, as amended and the regulations thereunder or under any successor or parallel federal or provincial legislation that imposes a tax on the recipient of goods and services
“Group”	the Company and its subsidiaries
“Lands”	all lands as a really described in the Agreement
“Leased Substances”	all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Miscellaneous Interests”	<p>all property, assets, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles, or any of them, but only to the extent that such property, assets, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including without limitation any and all of the following (as set out in the Agreement):</p> <ul style="list-style-type: none"> (i) contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including without limitation gas purchase contracts, processing agreements, transportation agreements and agreements for the construction, ownership and operation of facilities and the agreements; (ii) all rights to enter upon, use or occupy, cross or otherwise use or enjoy the surface of the Lands and any lands pooled or unitized therewith or any other lands: (a) upon which the Tangibles are situate, (b) used in connection with the ownership or operation of the Petroleum and Natural Gas Rights, the Tangibles or the Wells, or (c) used to gain access to any of the Lands (or any lands pooled or unitized therewith), the Tangibles or the Wells; (iii) all subsisting rights to carry out operations relating to the Lands or Tangibles, and without limitation, all easements and well, pipeline and other Permits, licenses and authorizations;

- (iv) all records, books, documents, licences, reports and data which relate to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including any of the foregoing that pertain to seismic, geological or geophysical matters;
- (v) the Wells, including the wellbores and any and all casing;
- (vi) any facility or area specific emergency response plans pertaining to the Assets;
- (vii) all non-interpretative technical data; and
- (viii) the Seismic Rights.

“New Sun”	New Sun International Energy Limited, a company incorporated in the British Virgin Islands, which owns 530,000,000 Shares
“Orient”	Orient International Energy Limited, a company incorporated in the British Virgin Islands, which owns 399,070,000 Shares
“Petroleum and Natural Gas Rights”	all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands)
“Petroleum Substances”	any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including without limitation sulphur and coal bed methane
“Power”	Power International Energy Limited, a company incorporated in the British Virgin Islands, which owns 141,460,000 Shares
“Prime Rate”	a rate of interest equal to the annual rate of interest announced from time to time by the main Calgary branch of Canadian Imperial Bank of Commerce as the reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada
“Purchaser”	a public company listed on the Toronto Stock Exchange
“Seismic Rights”	the seismic license rights to be granted by the Vendor to the Purchaser at Closing

“Share(s)”	ordinary share(s) of US\$0.001 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tangibles”	means the facilities and any and all tangible depreciable property and assets, other than the facilities, which are used or are intended to be used to produce, process, gather, treat, measure, transport, make marketable or inject the Leased Substances or any of them or in connection with water injection, water disposal or removal operations that pertain to the Petroleum and Natural Gas Rights, including without limitation any and all gas plants, oil batteries, buildings, production equipment, pipelines, pipeline connections, meters, generators, motors, compressors, treaters, dehydrators, scrubbers, separators, pumps, tanks, boilers and communication equipment (including any SCADA systems)
“Title Documents”	collectively, any and all certificates of title, leases, reservations, licenses, assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements, joint venture contracts, construction, ownership and operation agreements, Permits, Surface Rights, sale contracts in relation to Leased Substances, and any other documents and agreements granting, reserving or otherwise conferring rights to (i) explore for, drill for, produce, take, use or market Petroleum Substances, (ii) share in the production of Petroleum Substances, (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced; and (v) rights to acquire any of the rights described in items (i) to (iv) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands
“Vendor”	Canlin Resources Partnership, a partnership formed pursuant to the laws of Alberta, Canada and an indirect non-wholly owned subsidiary of the Company

“Wells” all wells which have been, are or may be used in connection with the Petroleum and Natural Gas Rights, including without limitation producing, shut-in, suspended, abandoned, abandoned and reclamation certified, water source, water disposal and water injection wells and the wells, as set out in the Agreement

“%” per cent

For the purpose of this announcement and for illustrative purpose only, C\$ is converted into HK\$ at the rate of HK\$6.0247:C\$1.00. No representation is made that any amounts in C\$ has been or could be converted at the above rates or at any other rates.

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

Hong Kong, 18 October 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.