

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your shares in MIE Holdings Corporation, you should at once hand this circular to the purchaser or the transferee or the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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

(1) RENEWED OILFIELD SERVICES AGREEMENT
(2) EXCEEDING OF EXISTING 2018 ANNUAL CAP
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 14 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from the China Galaxy containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 31 of this circular.

A notice convening the EGM to be held at Room 13, 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong, Hong Kong on Friday, January 18, 2019 at 10:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.mienergy.com.cn>).

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 you from attending and voting in person at the EGM if you so wish.

December 31, 2018

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	15
LETTER FROM CHINA GALAXY	17
APPENDIX I — GENERAL INFORMATION	I-1
NOTICE OF EGM	EGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Actual 2018 Transaction Amount”	the transaction amount of approximately RMB117.9 million received by members of the Group for Oilfield Services for the year ending December 31, 2018
“Announcement”	the announcement of the Company dated December 6, 2018 in relation to, inter alia, the Continuing Connected Transactions and the exceeding of the Existing 2018 Annual Cap
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Galaxy” or “Independent Financial Adviser”	China Galaxy International Securities (Hong Kong) Co., Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, the Proposed Annual Caps and the Ratification
“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
“Continuing Connected Transactions”	the Renewed Oilfield Services Agreement and the transactions contemplated thereunder
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, (i) approve, among other things, the Continuing Connected Transactions and the Proposed Annual Caps, and (ii) ratify and approve the Actual 2018 Transaction Amount, the notice of which is set out on pages EGM-1 to EGM-2 of this circular

DEFINITIONS

“Existing 2018 Annual Cap”	the existing annual cap of RMB82 million for the year ending December 31, 2018 under the Oilfield Services Agreement with Jilin Guotai and Guotai Technology
“Group”	the Company and its subsidiaries
“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 circular
“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 circular
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely, Mr. Mei Jianping, Mr. Jeffrey Willard Miller and Mr. Guo Yanjun, to consider the Actual 2018 Transaction Amount, the terms of Continuing Connected Transactions, the Proposed Annual Caps and the Ratification
“Independent Shareholders”	Shareholders other than Mr. Zhang, Mr. Zhao and their respective associates
“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 circular
“Jilin Guotai Group”	Jilin Guotai, Guotai Technology, Guotai Drilling and their respective subsidiaries from time to time
“JMC”	has the meaning ascribed to it in the section headed “Renewed Oilfield Services Agreement — Nature of the Transaction” in this circular
“Latest Practicable Date”	December 27, 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Mr. Zhang”	Mr. Zhang Ruilin, an executive Director, chairman and chief executive officer of the Company
“Mr. Zhao”	Mr. Zhao Jiangwei, an executive Director and senior vice president of the Company
“Oilfield Services”	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
“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 has agreed to provide, and procure that their respective subsidiaries to 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, which for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“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 dated December 6, 2018 entered into between Jilin Guotai, Guotai Technology, Guotai Drilling and the Company, under which Jilin Guotai and Guotai Technology has agreed to provide, and procure that their respective subsidiaries to provide, to the Group from time to time the Oilfield Services
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

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

* *For identification purposes only*

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

Non-executive Directors

Ms. Xie Na

Mr. Jiao Qisen

Independent Non-executive Directors

Mr. Mei Jianping

Mr. Jeffrey Willard Miller

Mr. Guo Yanjun

Registered office

Maples Corporate Services Limited

P.O. Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

*Principal place of business
in Hong Kong*

Level 54, Hopewell Centre

183, Queen's Road East

Hong Kong

Beijing Office

Suite 1501, Block C, Grand Place

5 Hui Zhong Road

Chaoyang District

Beijing 100101

PRC

December 31, 2018

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

(1) RENEWED OILFIELD SERVICES AGREEMENT

**(2) EXCEEDING OF THE EXISTING 2018 ANNUAL CAP
AND**

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, inter alia, (i) the entering into of the Renewed Oilfield Services Agreement with Jilin Guotai, Guotai Technology and Guotai Drilling which constitute non-exempt continuing connected transactions of the Company under the Listing Rules, and (ii) the exceeding of the Existing 2018 Annual Cap.

LETTER FROM THE BOARD

As mentioned in the Announcement, 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 the 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. As the Actual 2018 Transaction Amount exceeded the Existing 2018 Annual Cap, pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with (i) further information on the details of the Renewed Oilfield Services Agreement and the transactions contemplated thereunder; (ii) further details of the exceeding of the Existing 2018 Annual Cap; (iii) the letter from the Independent Board Committee; (iv) the letter of advice from China Galaxy to the Independent Board Committee and the Independent Shareholders; (v) other information as required under the Listing Rules; and (vi) the notice convening the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Mei Jianping, Mr. Jeffrey Willard Miller and Mr. Guo Yanjun, has been established to advise the Independent Shareholders as to (i) whether the terms and conditions of the Renewed Oilfield Services Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) whether the Ratification is in the interest of the Company and the Shareholders as a whole. China Galaxy has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RENEWED OILFIELD SERVICES AGREEMENT

The principal terms of the Agreement are as follows:

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).

LETTER FROM THE BOARD

Nature of transaction

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, 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.

Production sharing contracts (“PSC(s)”) and joint management committee

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, set up pursuant to PSCs entered into between the Group and PetroChina (the “JMC”). As at the Latest Practicable Date, the Group has entered into two PSCs with PetroChina, pursuant to which the Group conducts its oil operations in the capacity of sole operator and/or foreign contractor in the oilfields (as the case may be), whereas PetroChina holds the exploitation permits for the development and production of crude oil, issued by the PRC Ministry of Land and Resources for each of the relevant oilfields. Each PSC has a maximum term of 30 years. The commercial production phase lasts for a term of 20 consecutive years, which may be extended with the approval of the PRC Government. Under the PSCs, oil production is allocated to PetroChina and the foreign contractors for the recovery of the operating costs, the pilot-test costs that are carried over from the previous phases, and the development costs that are carried over from the previous phases and/or newly incurred during the current phase, and for profit-sharing. For further details on the revenue and cost allocation under the PSCs, please refer to the sub-section headed “Business — Production Sharing Contracts” in the Company’s prospectus dated December 1, 2010.

The PSCs provide for the JMC, comprising equal number of members appointed by PetroChina and the Company, to perform supervisory functions for each oilfield. The JMC meets at least twice a year and has the authority to, among other things, review and approve operational and budgetary plans, review and adopt the overall development plan and any supplemental overall development plan, review and examine matters required to be submitted to the relevant PRC authorities, and approve significant procurements, expenditures and insurance coverage. Any action taken by the JMC must be made unanimously.

Effective period

The term of the Renewed Oilfield Services Agreement shall be from January 1, 2019 until December 31, 2021.

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 favorable than those offered by independent third parties to the Group.

LETTER FROM THE BOARD

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

The 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. As disclosed below in this circular, the Group has exceeded the Existing 2018 Annual Cap. In light of this, the Company has ceased to utilize or will not utilize any Oilfield Services under the Oilfield Services Agreement during the period from December 1, 2018 to December 31, 2018.

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 the PSCs and the anticipated demand for such services by the Group taking into account the requirements of the PSCs, which are primarily involved in oil and gas development and production in the PRC, respectively.

As most of the Oilfield Services provided by the Jilin Guotai Group to the Group are in relation to the operation of the Group's Daan oilfield, the proposed annual caps were largely derived from and based on the three year plan devised for work done for the Daan oilfield (the "**Three Year Plan**"). The Directors took into consideration, among others, the expected increase in average oil price, the annual work program under the Three Year Plan, the estimated scope of works and/or services which may be provided by Jilin Guotai Group under the annual work program and the estimated costs of such works and/or services. In particular, the oil sale price in Daqing has significantly increased from approximately US\$30/bbl (when the annual caps were set for the three years ending December 31, 2018) to an average oil sale price of about US\$65/bbl in Daqing for the first 11 months of 2018. Accordingly, in view of the increase in oil price in recent months, the Company will continue to take advantage of the trend of increase in oil price

LETTER FROM THE BOARD

by increasing oil development and production work in its oilfields. The Directors believe that the increase in development activities will stabilize production and enhance cash flow of the Company. As a result of the expected increase in oil development and production in the Group's oilfields, there will also be a corresponding increase in the procurement of oilfield services expected to be provided by Jilin Guotai Group under the Renewed Oilfield Services Agreement. In determining the proposed annual caps for the three years ending December 31, 2021, the Directors had based their determination on the principal assumptions that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the Group.

The proposed annual cap for the year ending December 31, 2019 represents a significant increase of 41.6% as compared to the Actual 2018 Transaction Amount. However, as set out above, the proposed annual caps for the transactions contemplated under the Renewed Oilfield Services Agreement are in line with the anticipated increase in the 2019 work program under the Three Year Plan, which would result in a corresponding increase in utilization of the Oilfield Services. For reference, the expected actual transaction amount for the year ending December 31, 2018, had the Company utilized Oilfield Services for the full year, would be approximately RMB133.1 million. The proposed annual cap for the year ending December 31, 2019 would therefore instead represent an increase of 25.5% year-on-year. The orders for Oilfield Services in the year ending December 31, 2018 surged by more than 118.9% as compared with the previous year, and coupled with the expected trend of increase in oil price, it is anticipated that the Group's demand for Oilfield Services will continue to increase.

Similarly, the year-on-year growth rate of the proposed annual caps for 2020 and 2021 was derived from the planned increase of work program under the Three Year Plan, which is anticipated by the Company to result in a corresponding increase in utilization of the Oilfield Services.

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. 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

LETTER FROM THE BOARD

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 from Jilin Guotai Group.

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. As a result of factors and assumptions mentioned above in this circular, 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. In particular, the Directors are of the view that in light of the expected increase in oil prices and the business growth prospects of the Group, the Proposed Annual Caps are necessary to meet and/or satisfy the anticipated increase in demand for the Oilfield Services.

EXCEEDING OF THE 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.54 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.

LETTER FROM THE BOARD

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 circular, 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 circular. 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.

LETTER FROM THE BOARD

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.

INFORMATION ON THE GROUP, JILIN GUOTAI AND GUOTAI TECHNOLOGY

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. 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 circular, 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 circular. 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 circular. It is primarily engaged in providing oilfield services focusing on fracturing.

EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM at which an extraordinary resolution will be proposed and, if thought fit, passing the resolutions set out in the notice of EGM, by way of poll.

Any Shareholder with a material interest in the Actual 2018 Transaction Amount and the Continuing Connected Transactions and his associates will be required to abstain from voting on the resolutions (i) approving the Continuing Connected Transactions and (ii) ratifying and approving the Actual 2018 Transaction Amount. Accordingly, Mr. Zhang and Mr. Zhao shall abstain from voting at the EGM.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save for Mr. Zhang and Mr. Zhao and their associates which together held 1,472,800,000 Shares (representing approximately 50.12% of

LETTER FROM THE BOARD

the issued share capital of the Company as at the Latest Practicable Date), no other Shareholders are required to abstain from voting on the resolutions (i) approving the Continuing Connected Transactions; and (ii) ratifying and approving the Actual 2018 Transaction Amount, at the EGM. Accordingly, the Independent Shareholders, being all Shareholders other than Mr. Zhang and Mr. Zhao and their associates, will be entitled to vote on the resolution at the EGM.

Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's register in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

MATERIAL INTEREST OF DIRECTORS IN THE CONTINUING CONNECTED TRANSACTIONS

As both of 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, January 15, 2019 to Friday, January 18, 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the attendance at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share register, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, January 14, 2019.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that (i) the entering into the Renewed Oilfield Services Agreement is in the ordinary and usual course of business of the Company and on normal commercial terms, (ii) the terms of the Renewed Oilfield Services Agreement and the annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, (iii) the continuing connected transactions for the year ending December 31, 2018 under the Oilfield Services Agreement have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and (iv) the Ratification is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders

LETTER FROM THE BOARD

to vote in favour of the relevant resolutions to (i) approve the entering into of the Renewed Oilfield Services Agreement (including the relevant annual caps relating thereto) and (ii) approve, confirm and ratify the Ratification at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the entering into of the Continuing Connected Transactions (including the relevant annual caps relating thereto); and (ii) the letter from China Galaxy set out on pages 17 to 31 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons taken into account as regards to the entering into of the Continuing Connected Transactions (including the relevant annual caps relating thereto).

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



MIE HOLDINGS CORPORATION

MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

December 31, 2018

To: the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

(1) RENEWED OILFIELD SERVICES AGREEMENT

(2) EXCEEDING OF EXISTING 2018 ANNUAL CAP

AND

(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company dated December 31, 2018 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders in relation to (i) the entering into of the Renewed Oilfield Services Agreement (including the relevant annual caps relating thereto) and (ii) the Ratification. In this connection, China Galaxy has been appointed as an independent financial adviser to advise on (i) whether the terms and conditions of the Renewed Oilfield Services Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole; (ii) whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group; and (iii) whether the Ratification is in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 of the Circular and the letter from China Galaxy to the Independent Board Committee and the Independent Shareholders set out on pages 17 to 31 of the Circular which contains its opinion in respect of (i) the Renewed Oilfield Services Agreement and basis for the relevant annual caps; and (ii) the Ratification.

Having considered the terms of the Renewed Oilfield Services Agreement, the circumstances surrounding the exceeding of the Existing 2018 Annual Cap, and the advice of China Galaxy, the independent financial adviser to us and the Independent Shareholders, we consider that (i) the entering into the Renewed Oilfield Services Agreement is in the ordinary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

and usual course of business of the Company and on normal commercial terms, (ii) the terms of the Renewed Oilfield Services Agreement and the annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, (iii) the continuing connected transactions for the year ending December 31, 2018 under the Oilfield Services Agreement have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and (iv) the Ratification is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions (i) approving the Continuing Connected Transactions; and (ii) approving, confirming and ratifying the Ratification.

Yours faithfully,

Independent Board Committee

Mei Jianping
*Independent non-executive
Director*

Jeffrey Willard Miller
*Independent non-executive
Director*

Guo Yanjun
*Independent non-executive
Director*

LETTER FROM CHINA GALAXY

The following is the text of a letter of advice from China Galaxy to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



20/F., Wing on Centre
111 Connaught Road Central
Sheung Wan, Hong Kong

December 31, 2018

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

(1) RENEWED OILFIELD SERVICES AGREEMENT AND (2) EXCEEDING OF THE EXISTING 2018 ANNUAL CAP

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the Continuing Connected Transactions, the Proposed Annual Caps and the Ratification (together with the Continuing Connected Transactions, the “**Transactions**”). Details of the Renewed Oilfield Services Agreement and the Ratification are set out in the circular of the Company dated December 31, 2018 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

The Transactions

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, 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, subject to the entering into of individual contracts as agreed between members of the Jilin Guotai Group and members of the Group from time to time.

As stated in the Announcement, 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 the Company for services procured under the Oilfield Services Agreement was approximately RMB117.9 million, which exceeded the Existing 2018 Annual

LETTER FROM CHINA GALAXY

Cap (being RMB82 million) by an amount of approximately RMB35.9 million (representing approximately 43.8% of the Existing 2018 Annual Cap). This constituted a breach of Rule 14A.36 of the Listing Rules.

Listing Rules Implications

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 such, Jilin Guotai, Guotai Technology, Guotai Drilling 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 transactions contemplated under the Renewed Oilfield Services Agreement constitute continuing connected transactions for the Company under the Chapter 14A of the Listing Rules.

As the Proposed Annual Caps are more than 5% of the applicable percentage ratios and HK\$10 million on an annual basis, the Renewed Oilfield Services Agreement and the transactions contemplated thereunder constitute non-exempt continuing connected transactions and are subject to reporting, announcement and independent shareholders' approval requirements under 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.

The approval of the Independent Shareholders in respect of the Transactions will be sought at the EGM, which is expected to be held on January 18, 2019, by way of poll. Mr. Zhang and Mr. Zhao and their respective associates which together held 1,472,800,000 Shares (representing approximately 50.12% of the issued share capital of the Company as at the Latest Practicable Date) will abstain from voting in respect of the Transactions at the EGM.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely, Mr. Mei Jianping, Mr. Jeffrey W. Miller and Mr. Guo Yanjun, has been established to consider and give an opinion to the Independent Shareholders on (i) whether the terms and conditions of the Renewed Oilfield Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; (ii) whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group; and (iii) whether the Ratification is in the interests of the Company and the Shareholders as a whole. We, China Galaxy, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM CHINA GALAXY

As at the Latest Practicable Date, neither China Galaxy nor persons stipulated under Rule 13.84(4) of the Listing Rules had any current business relationship with the Company, parties to the Oilfield Services Agreement and the Renewed Oilfield Services Agreement, or a director, subsidiary, holding company or substantial shareholder of the Company or parties to the Oilfield Services Agreement and the Renewed Oilfield Services Agreement, which would be reasonably considered to affect our independence in performing the duties as set out in the Listing Rules, or might reasonably give rise to a perception that our independence would be so affected.

BASIS OF OUR OPINION AND RECOMMENDATION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company (together, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided and the Management are true and accurate at the time they were made and will continue to be true and accurate as at the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement contained in the Circular misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted an independent investigation into the business and affairs or the prospects of the Company, the Group or any of their respective associates.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources which are the latest information publicly available to the best of our knowledge, the sole responsibility of China Galaxy is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

I. Principal business of the Group and the Jilin Guotai Group

Information on the Group

The Company is a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. 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. As advised by the Management, the Group typically outsources a variety of oil and gas services related operation work, including oil rig supply, well drilling services, fracturing and perforating services, well maintenance services, well logging services, oil tanker transportation services and reservoir studies to external Oilfield Services providers. As at the Latest Practicable Date, the Group had around 130 Oilfield Services providers that provided goods and services to the Group in 2018, including the Jilin Guotai Group.

Information on the Jilin Guotai Group

As advised by the Management, the Jilin Guotai Group has been providing various oilfield services, including well maintenance services, well logging services, oil tanker transportation services, oilfield construction related works and other oil operations related services, to the Group since 2004.

Jilin Guotai is principally engaged in well maintenance, well logging, well cementing, fracturing, downhole operation, and processing and sale of drilling and extraction accessories. Guotai Technology, a wholly owned subsidiary of Jilin Guotai, 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, a non-wholly owned subsidiary of Jilin Guotai, is primarily engaged in providing oilfield services focusing on fracturing.

Having considered the respective principal activities of the Group and the Jilin Guotai Group as described above, we are of the view that the Oilfield Services Agreement and the Renewed Oilfield Services Agreement are entered into in the ordinary and usual course of business of the Group.

II. Reasons for and benefits of entering into the Renewed Oilfield Services Agreement

As set out in the “Letter from the Board” of this Circular, the Oilfield Services are necessary and conducive to the operations of the Group. The Jilin Guotai Group is one of the largest non-state owned oilfield service companies providing the oilfield services in Jilin Province. The Jilin Guotai Group has been providing the Oilfield Services to the Group since 2004. As advised by the Management, there are no other comparable non-state owned oilfield service companies and the rates offered by state-owned oilfield service companies in general are more expensive. Further, state-owned oilfield service companies give priority to state-owned oil companies and have less flexibility in terms of scheduling. On the other hand, the 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 services companies. The entering into of the Renewed Oilfield Services Agreement (i) allows members of the Group the flexibility but not the obligation to procure the relevant Oilfield Services from the Jilin Guotai Group; and (ii) creates synergies arising from familiarity amongst members of the Group and the Jilin Guotai Group, resulting in more effective communication and higher work efficiency. The Directors are therefore of the view that it is beneficial for the Group to continue cooperating with the Jilin Guotai Group by securing its provision of the Oilfield Services via entering into the Renewed Oilfield Services Agreement. As the Oilfield Services Agreement will expire on December 31, 2018 and the provision of the Oilfield Services are expected to continue in the future, the entering into of the Renewed Oilfield Services Agreement is a renewal of the Oilfield Services Agreement to govern the continuing provision of Oilfield Services for a further term of three years up to December 31, 2021.

As stated in the annual reports of the Company for the two financial years ended December 31, 2016 and 2017, the auditor of the Company has performed procedures in respect of the continuing connected transactions of the Group (including the transactions contemplated under the Oilfield Services Agreement) in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules for each of the two years ended December 31, 2016 and 2017. In addition, the independent non-executive Directors have also reviewed and confirmed that the continuing connected transactions of the Group (including the transactions contemplated under the Oilfield Services Agreement) during each of the two years ended December 31, 2016 and 2017 have been entered into (i) in the Group’s ordinary and usual course of business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM CHINA GALAXY

Taking into account the background and commercial reasons for entering into the Renewed Oilfield Services Agreement and the results of the review of the continuing connected transactions of the Group in the past two financial years by the auditor of the Company and independent non-executive Directors as described above, we are of the view that the entering into of the Renewed Oilfield Services Agreement is in the interests of the Company and the Shareholders as a whole.

III. Principal Terms of the Renewed Oilfield Services Agreement

Subject matters

As set out in the “Letter from the Board” of this Circular, the Jilin Guotai Group agreed to provide to the Group from time to time various Oilfield Services, subject to the entering into of individual contracts as agreed between members of the Jilin Guotai Group and members of the Group. In addition, the terms of each individual contract between members of the Group and the members of the Jilin Guotai Group are subject to review and approval of the procurement representative from the JMC, comprising equal number of members appointed by PetroChina and the Company. The JMC shall perform supervisory functions of the Group’s oilfields under the relevant production sharing contract and any action taken by the JMC must be made unanimously.

The term of the Renewed Oilfield Services Agreement shall be from January 1, 2019 until December 31, 2021.

The Renewed Oilfield Services Agreement is on a non-exclusive basis, under which the Group agreed to procure various Oilfield Services from the Jilin Guotai Group from time to time, provided that the terms offered by the Jilin Guotai Group are no less favourable than the terms offered by independent third parties, which, as advised by the Management, is mainly due to the good long term relationship between the Group and the Jilin Guotai Group. The Group is however not obliged to engage the Jilin Guotai Group to provide Oilfield Services should the Group be able to find other service provider(s) that can provide the same services at more favourable terms than those offered by the Jilin Guotai Group.

Pricing policies

Pursuant to the Renewed Oilfield Services Agreement, 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 favorable 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. Under the supervision of the JMC, the relevant member of the Group will 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

LETTER FROM CHINA GALAXY

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 the Jilin Guotai Group.

Based on the discussions with the Management, according to the Group's internal control policies, the prices to be charged by the Jilin Guotai Group shall be determined in accordance with normal commercial terms through price comparison with independent third party suppliers or arm's length negotiations between the parties taking into consideration of factors such as market benchmarks, prevailing market conditions and nature of the services. The JMC procurement representative will also review the individual contract to ensure the prices offered by the Jilin Guotai Group are on normal commercial terms. We have reviewed the internal control manual of the Company and discussed with the Management to understand the internal control procedures regarding pricing policies. We have also reviewed sample documents provided by the Company (including, among other things, contracts, price comparison documents and other related documents) with respect to provision of the Oilfield Services and note that the pricing mechanism, payment terms and other conditions of the contracts with the Jilin Guotai Group are similar with those contracts with, and no less favourable than, the independent third parties.

We consider that the policy adopted for determining the prices of the Oilfield Services as described above, which is principally based on market prices charged by other independent suppliers of the Group, is fair and reasonable.

Payment terms

The consideration for the transactions contemplated under the Renewed Oilfield Services Agreement will be satisfied in the same way as the payment methods adopted in transactions between the Company and independent third parties. Payment terms will be defined in the individual agreements to be entered into between the Company and the Jilin Guotai Group. We note that the credit period granted by the Jilin Guotai Group is no less favorable than those granted by the Independent third parties.

IV. Proposed Annual Caps

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 31 December, 2021 respectively. As set out in the "Letter from the Board" of this Circular, such Proposed Annual Caps are determined by reference to the historical values of the transactions between the Group and members of the 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

LETTER FROM CHINA GALAXY

contracts, which are primarily involved in oil and gas development and production in the PRC, respectively. In determining the Proposed Annual Caps, the Directors took into consideration, among others, the expected increase in average oil price, the annual work program under the Three Year Plan, the estimated scope of works and/or services which may be provided by the Jilin Guotai Group under the annual work program and the estimated costs of such works and/or services.

In assessing the reasonableness of the Proposed Annual Caps, we have taken into account the following factors:

(a) Historical transaction amounts under the Oilfield Services Agreement

Set out below are the approximately values of the provision of Oilfield Services by the Jilin Guotai Group to the Company for the two financial years ended December 31, 2017 and for the 11 months ended November 30, 2018:

	For the financial year ended December 31,		For the 11 months ended November 30,
	2016	2017	2018
	<i>(in RMB million)</i>	<i>(in RMB million)</i>	<i>(in RMB million)</i>
Historical transaction amount	70.0	60.8	117.9
Approximate increase/(decrease) as compared to the previous year (%)	(5.5%)	(13.1%)	93.9%
Annual caps under the Oilfield Services Agreement	99	96	82 (Note)
Utilization of the historical transaction amount to the proposed caps under the Oilfield Services Agreement	70.7%	63.3%	143.8%

Note: Proposed annual cap of RMB82 million is for the full year ended December 31, 2018

As advised by the Management, in view of the decrease in oil price, the Group decreased oil development and production in oilfield. As such, the historical transaction amounts for the two years ended December 31, 2017 of approximately RMB70.0 million and RMB60.8 million were lower than the transaction amount incurred of approximately RMB74.1 million for the year ended December 31, 2015.

We note that the utilization rate of the proposed caps under the Oilfield Services Agreement was approximately 70.7% and 63.3% for the year ended December 31, 2016 and 2017 respectively. For the year ending December 31, 2018,

LETTER FROM CHINA GALAXY

the historical transaction amount up to the Latest Practicable Date has already exceeded the Existing 2018 Annual Cap by approximately 43.8%. In view of the increase in oil price in recent months, the Company has increased oil development and production in its oilfield, the procurement of the Oilfield Services provided by the Jilin Guotai Group was increased accordingly. 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 the Company for services procured under the Oilfield Services Agreement in 2018 exceeded the Existing 2018 Annual Cap, details of which are disclosed in the section headed “Exceeding of Existing 2018 Annual Cap and Ratification” below.

Despite the exceeding of Existing 2018 Annual Cap, we note that the auditors of the Company have performed a review of the non-exempt continuing connected transactions for the two financial years ended December 31, 2017 (the “**Past Transactions**”). We noted from the 2016 and 2017 annual reports of the Company that the auditors confirmed that the Past Transactions (a) had received the approval of the Board; (b) were entered into in accordance with the pricing policies as stated in financial statements of the Company; (c) had been entered into in accordance with the relevant agreements governing them; and (d) had not exceeded the relevant annual caps.

(b) The estimation basis of the Proposed Annual Caps

The Proposed Annual Caps under the Renewed Oilfield Services Agreement and the estimated annual increase are set out as follows:

	Financial year ended December 31,		
	2019	2020	2021
	<i>(in RMB million)</i>	<i>(in RMB million)</i>	<i>(in RMB million)</i>
Proposed Annual Caps	167	189	208
Approximate increase as compared to the annual cap of previous year (%)	25.5% ^{Note}	13.2%	10.1%

Note: After exceeding of the Existing 2018 Annual Cap, the Company has ceased to utilize any Oilfield Services under the Oilfield Services Agreement during the period from December 1, 2018 to December 31, 2018. For reference only, if the Group had utilized the Oilfield Services provided by the Jilin Guotai Group during the period from December 1, 2018 to December 31, 2018, the historical transaction amount in 2018 would be approximately RMB133.1 million and the proposed annual cap in 2019 would represent approximately 25.5% year-on-year increase. However, if compared to the historical actual amount for the 11 months ended November 30, 2018, the year-on-year increase for the proposed annual cap in 2019 would be 41.6%.

LETTER FROM CHINA GALAXY

We understand from the Management that the Proposed Annual Caps are determined by considering: (i) the historical transactions and transaction amounts for the provision of Oilfield Services; (ii) the future expansion and business prospects of the Group in the PRC; and (iii) the anticipated price fluctuations of oil in the next three years ending December 31, 2021.

We note that the year-on-year growth for the Proposed Annual Caps ranged from approximately 10.1% to 25.5% for the three years ending December 31, 2021. We have made reference to the historical transaction amount in respect of the Oilfield Services between the Group and the Jilin Guotai Group prior to 2015 as the oil price has been fluctuating significantly since then. During the period from January 1, 2010 to December 31, 2014, the historical transaction amount with the Jilin Guotai Group represented a compound annual growth rate of approximately 22.5%. In light of this, we consider the year-on-year growth rate for the Proposed Annual Caps to be reasonable.

As advised by the Management, most of the Oilfield Services provided by the Jilin Guotai Group to the Group are related to the operation of the Group's Daan oilfield, the Proposed Annual Caps for the provision of Oilfield Services under the Renewed Oilfield Services Agreement for the three years ending December 31, 2021 are primarily based on the three years plan devised for work done for the Daan oilfield prepared by the Company for the three years ending December 31, 2021. We have reviewed the Three Year Plan and discussed with the Management on the basis in determining the Three Year Plan. During a low oil price environment, the Group would adopt cost control measures to reduce the capital expenditures, resulting in a decrease in procurement of the Oilfield Services provided by the Jilin Guotai Group as well as other independent third parties suppliers. In view of the increase in oil price in recent months, the Company plans to take advantage of the trend of increase in oil price by increasing oil development and production work in its oilfield, the Group therefore expects to increase the procurement of the Oilfield Services. We concur with the Management that the oil price fluctuations would affect the utilization of the Oilfield Services.

The oil price in Daqing has been fluctuating significantly since 2015 and the closing prices during the period from January 1, 2015 to November 30, 2018 ranged from approximately US\$24.1 per barrel to US\$82.4 per barrel. The Group has estimated the future oil price based on experience with reference to the historical oil price and expected future price fluctuations. The Management anticipated the Daqing oil price will remain at a relatively steady level of approximately US\$65, US\$70 and US\$70 per barrel on average for the three years ending December 31, 2021, which is close to the average of approximately US\$69 per barrel for the 11 months ended November 30, 2018.

According to the Global Economic Prospects Commodity Markets Outlook October 2018 presented by World Bank Group, which is a family of five international organizations that make leveraged loans to developing countries and is the largest and most well-known development bank in the world, they predict that

LETTER FROM CHINA GALAXY

the international oil price for 2019, 2020 and 2021 will remain relatively steady, with average price of approximately US\$75, US\$69 and US\$68 per barrel, respectively. Having compared the estimated oil prices in the Global Economic Prospects Commodity Markets Outlook October 2018 with the Management's anticipation of the oil price in the coming years, we consider that the Management's anticipation of the relatively steady oil price in the next three years to be reasonable. As a whole, in order to cope with the expected business growth and increased oil development and production in its oilfields, we consider that it is reasonable that the amount of procurement of Oilfield Services by the Group from the Jilin Guotai Group would increase accordingly.

Having considered the above, together with the fact that (1) the Continuing Connected Transactions will be conducted, after arm's length negotiations among parties, on normal commercial terms or better pursuant to the Renewed Oilfield Services Agreement; (2) the relevant Proposed Annual Caps provide flexibility for the Group to manage its business with the Jilin Guotai Group should the executive Directors consider that the conduct of the Continuing Connected Transactions are in the interests of the Company; and (3) whilst the approval of the relevant Proposed Annual Caps gives the Group flexibility to carry out transactions with the Jilin Guotai Group, the Group is not committed to do so, we are of the view that the basis of determining the Proposed Annual Caps are justifiable and that the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

However, Shareholders should note that the Proposed Annual Caps relate to future events and they do not represent a forecast of the actual amounts to be generated under the Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual amounts to be generated under the Continuing Connected Transactions correspond with the Proposed Annual Caps.

V. Exceeding of Existing 2018 Annual Cap and Ratification

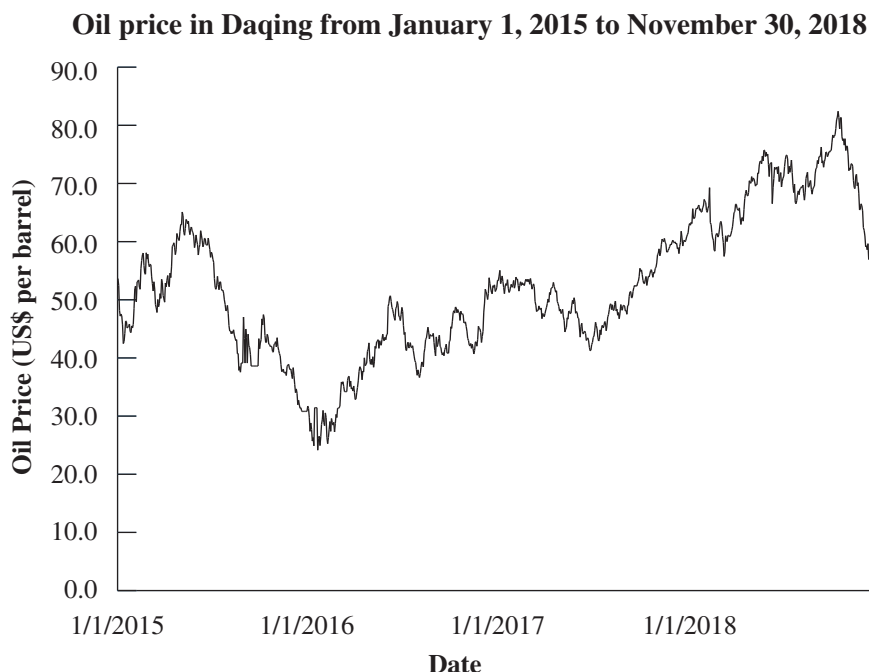
Existing 2018 Annual Cap and the basis to determine such cap

As set out in the announcement of the Company dated December 31, 2015, the proposed annual caps for the transactions under the Oilfield Services Agreement were determined by reference to the historical values of the transactions between the Group and members of the Jilin Guotai Group for Daan and Moliqing production sharing contracts and the anticipated demand for such services by the Group taking into account the requirements of Daan and Moliqing production sharing contracts, which are primarily involved in oil and gas development and production in the PRC, respectively, and the business growth prospects of the Group.

We understand from the Management that the Existing 2018 Annual Cap was determined after taking into account (i) the then decreasing trend of actual transactions amount of the Oilfield Services by the Group; and (ii) the low oil sale price in Daqing at the material time, the Group therefore did not plan to carry out any drilling program and/or high amount of workover program in the near future.

LETTER FROM CHINA GALAXY

Set out below is the chart showing the oil sale price in Daqing from January 1, 2015 to November 30, 2018:



Source: Bloomberg

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 only approximately US\$30 per barrel as shown from the chart above. After taking into account the low utilization rate of the historical annual caps for the year ended December 31, 2015 and the above factors, the Company considered that it would be more conservative to reduce the Existing 2018 Annual Cap to RMB82 million.

Having considered the above factors, in particular (i) the factors to derive the then proposed annual caps for the Oilfield Services required of the Group remained valid, fair and reasonable; (ii) the historical actual continuing connected transactions amount of approximately RMB70 million for the year ended December 31, 2017 which was lower than the Existing 2018 Annual Cap of RMB82 million; and (iii) the volatile nature of the oil market and the potential fluctuation of oil price, we considered that the proposed annual cap for the year ending December 31, 2018 to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for exceeding the Existing 2018 Annual Cap

As set out in the “Letter from the Board” of this Circular, 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

LETTER FROM CHINA GALAXY

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. 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 the 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.

In view of the abovementioned reasons, the 2018 transaction amount has exceeded the Existing 2018 Annual Cap. According to the "Letter from the Board" of this Circular, for the year ending December 31, 2018, the total transaction amount paid and to be paid by the Company for services procured under the Oilfield Services Agreement was approximately RMB117.9 million, which exceeded the Existing 2018 Annual Cap (being RMB82 million) by an amount of approximately RMB35.9 million (representing approximately 43.8% of the Existing 2018 Annual Cap).

Taking into account the above, we have no reason to cast doubt on the explanation by the Management. According to the Management, they reviewed transactions with connected persons on a quarterly basis, and realized the amount exceeded the Existing 2018 Annual Cap in the end of November 2018 when they obtained November 2018 figures. The Management has no chance to seek Independent Shareholders' pre-approval in 2018. Under the aforesaid background, the Ratification is the only proper remedial action initiated by the Board and we believe this to be fair and reasonable.

Measures adopted by the Company to ensure future compliance with the Listing Rules

As described in the "Letter from the Board" of this Circular, the Management considered that the failure to 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. Details of which are set out in the "Letter from the Board" of this Circular. In addition, the Company will make timely announcement(s) and seek Independent Shareholders' pre-approval, initiated by the Board, in the event that any adjustment to any annual cap becomes foreseeable, based on the monthly reports submitted.

In order to assess whether the above enhanced internal control measures are sufficient for monitoring the future transactions contemplated going forward, we have reviewed the internal control manual adopted by the Management, detailing the guidance and policies for conducting the transactions contemplated under the

LETTER FROM CHINA GALAXY

Renewed Oilfield Services Agreement going forward, and had discussions with the Management of the abovementioned enhanced internal control measures. We noted that the internal control procedures of the Group are in place and the Management believes, and we concur that the enhanced internal control measures of the Group are sufficient for the purpose of monitoring the transactions contemplated under the Renewed Oilfield Services Agreement going forward.

Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the transactions contemplated under the Renewed Oilfield Services Agreement will continue to be conducted on terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and on normal commercial terms and in the ordinary and usual course of business of the Group.

VI. Corporate Governance measures

The Company has also adopted the following corporate governance measures to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms:

- (i) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s) at the Board meeting and at the EGM respectively;
- (ii) the Group shall comply with the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Continuing Connected Transactions;
- (iii) the Group will engage the Company's auditor to report on the Continuing Connected Transactions every year in accordance with Rule 14A.56 of the Listing Rules; and
- (iv) the Group will duly disclose in the annual reports and accounts the Continuing Connected Transactions during each financial period, together with the conclusions (with basis) drawn by the independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Based on the discussions with the Management and as detailed in the section headed "Principal terms of the Renewed Oilfield Services Agreement" in this letter, we have obtained an understanding of the nature of the Oilfield Services and the internal control procedures adopted by the Group to ensure that the Continuing Connected Transactions with the Jilin Guotai Group will be conducted on normal commercial terms. We have also reviewed the internal control manual and samples of historical documents and records maintained by the Group for walkthrough purpose to understand the nature of the Oilfield Services and the aforesaid internal control procedures. Among which, we observed that the Group's personnels with appropriate level of authorities are involved in the approval

LETTER FROM CHINA GALAXY

and/or review process in relation to the Continuing Connected Transactions. We also noted that the auditor of the Company has issued unqualified letter in respect of its review on the continuing connected transactions of the Group for the years ended December 31, 2016 and 2017. Whilst our scope of work as an independent financial adviser does not include a review of the effectiveness of the internal control measures of the Group, we are of the view that based on our work described above and having regard to the nature of the Continuing Connected Transactions, the internal control measures of the Group are appropriate to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms and to safeguard the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal reasons and factors discussed above, we are of the view that (i) the entering into the Renewed Oilfield Services Agreement is in the ordinary and usual course of business of the Company; (ii) the terms of the Renewed Oilfield Services Agreement and the Proposed Annual Caps are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; (iii) the continuing connected transactions under the Oilfield Services Agreement for the year ending December 31, 2018 have been conducted in the ordinary and usual course of business of the Group and carried out in accordance with the terms of the Oilfield Services Agreement which are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (iv) the Ratification is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Renewed Oilfield Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) and the Ratification.

Yours faithfully,
for and on behalf of
**China Galaxy International
Securities (Hong Kong) Co., Limited**
Steven Chiu
Managing Director

Mr. Steven Chiu is a responsible officer of China Galaxy International Securities (Hong Kong) Co., Limited and a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Chiu has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures (if any) of the Company or any its associated corporations (within the meaning of Part XV of the SFO) as required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations

Name of Director	Name of corporation	Capacity/ nature of interest	Number of shares (including options to be exercised)/ underlying shares interested	Approximate percentage of interest in the corporation
Mr. Zhang Ruilin	the Company	Interest of controlled corporation (Note 2)	1,577,095,234 (L)	53.67%
		Interest of controlled corporation (Note 3)	88,521,234 (S)	3.01%
		Beneficial owner (Note 4)	7,987,000 (L)	0.27%
Mr. Zhao Jiangwei	the Company	Interest of controlled corporation (Note 2)	1,577,095,234 (L)	53.67%
		Interest of controlled corporation (Note 3)	88,521,234 (S)	3.01%
		Beneficial owner (Note 4)	10,987,000 (L)	0.37%

Name of Director	Name of corporation	Capacity/ nature of interest	Number of shares (including options to be exercised)/ underlying shares interested	Approximate percentage of interest in the corporation
Mr. Zhang Ruilin	Far East Energy Limited (“FEEL”)	Interest of controlled corporation (<i>Note 2</i>)	8,999	9.99%
Mr. Zhao Jiangwei	FEEL	Interest of controlled corporation (<i>Note 2</i>)	9,000	10%
Mr. Jeffrey Willard Miller	the Company	Beneficial owner	2,611,333 (L)	0.09%
Mr. Mei Jianping	the Company	Beneficial owner	2,067,933 (L)	0.07%
Mr. Guo Yanjun	the Company	Beneficial owner	800,000 (L)	0.03%
Ms. Xie Na	the Company	Beneficial owner	800,000 (L)	0.03%

Notes:

- The letter “L” denotes long position in the Shares; and “S” denotes short position in the Shares.
- FEEL is held by Ms. Zhao Jiangbo (“**Mrs. Zhang**”), Mr. Zhang Ruilin (“**Mr. Zhang**”) and Mr. Zhao Jiangwei (“**Mr. Zhao**”) as to 80%, 9.99% and 10%, respectively. On May 24, 2013, 72,000 shares in FEEL were issued to Mrs. Zhang, 399,070,000 shares in the Company were transferred from FEEL to Champion International Energy Limited (“**Champion**”), 399,070,000 shares in the Company were transferred from FEEL to Orient International Energy Limited (“**Orient**”), 475,000,000 shares in the Company were transferred from FEEL to New Sun International Energy Limited (“**New Sun**”) and 141,460,000 shares in the Company were transferred from FEEL to Power International Energy Limited (“**Power**”). Each of Champion, Orient, New Sun and Power is a wholly-owned subsidiary of Sunrise Glory Holdings Limited, which is itself a wholly-owned subsidiary of FEEL. Mrs. Zhang, Mr. Zhang and Mr. Zhao 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 FEEL. 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 shall be allowed to vote on his, Mrs. Zhang’s and Mr. Zhao’s shares. The long interests which FEEL, Mr. Zhang and Mr. Zhao have in the 1,577,095,234 shares in the Company include (i) the beneficial interests which FEEL has (and in the case of Mr. Zhang and Mr. Zhao, the indirect beneficial interests which they have (through their shareholdings in FEEL)) in the 1,469,600,000 shares in the Company held by FEEL through its subsidiaries, (ii) the 7,887,000 share options granted to Mr. Zhang, (iii) the 7,887,000 share options granted to Mr. Zhao, (iv) the call option which FEEL, Mr. Zhang and Mr. Zhao have been granted, pursuant to a put and call option agreement, over the 88,521,234 shares in the Company held by Mr. Ho Chi Sing through Celestial, as further described in note (3) below, (v) the 100,000 shares owned by Mr. Zhang himself and (vi) 3,100,000 shares owned by Mr. Zhao himself.

3. The Company was informed on November 8, 2014 that TPG Star Energy Ltd. and Celestial had entered into a sale and purchase agreement pursuant to which Celestial had acquired and TPG Star Energy Ltd. has sold 211,855,234 ordinary shares in the Company.

On November 8, 2014, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into a put and call option agreement in relation to certain of the shares, pursuant to which the parties to the put and call option agreement have agreed to grant each other certain rights in relation to their Shares, and section 317(1)(a) of the SFO applies. Mr. Ho Chi Sing is the sole shareholder of the Celestial.

In particular, Mr. Ho Chi Sing, through his holdings in Celestial, is beneficially interested in 211,855,234 shares in the Company. Pursuant to the abovementioned put and call option agreement, Mr. Ho Chi Sing and Celestial have been granted a put option to resell/put 211,855,234 shares to FEEL, Mr. Zhang and Mr. Zhao.

On January 6, 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the letter agreement in relation to the put and call option. The Board was also informed that Great Harmony International Ltd (“**Great Harmony**”) and Celestial have entered into a sale and purchase agreement pursuant to which Great Harmony has agreed to acquire (or procure its affiliate or other person or company designated by it to acquire) and Celestial has agreed to sell 211,855,234 ordinary shares in the Company.

On January 18, 2017, February 23, 2017 and March 7, 2017, Celestial had ceased to have 53,334,000 shares, 40,000,000 shares and 30,000,000 shares in long and short positions, respectively.

On May 17, 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the second letter agreement in relation to the put and call option agreement. For further details, please refer to the Company’s announcement dated May 17, 2017.

On November 30, 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the supplemental agreement to the second letter agreement in relation to the put and call option agreement. For further details, please refer to the Company’s announcement dated November 30, 2017.

On April 14, 2018, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the second supplemental agreement to the second letter agreement in relation to the put and call option agreement. For further details, please refer to the Company’s announcement dated April 15, 2018.

On November 26, 2018, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the third supplemental agreement to the second letter agreement in relation to the put and call option agreement. For further details, please refer to the Company’s announcement dated November 26, 2018.

4. These interests represent interests in outstanding stock options under the share option scheme and stock incentive compensation plan. Mr. Zhang’s interests includes the 100,000 shares held by himself and Mr. Zhao’s interests includes the 3,100,000 shares held by himself.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the following persons, not being a Director or chief executive of the Company, had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, the details of which are set out below:

Interests and short positions in the shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
Ms. Zhao Jiangbo	Interest of controlled corporation (<i>Note 2</i>)	1,577,095,234 (L)	53.67%
		88,521,234 (S)	3.01%
FEEL	Interest of controlled corporation (<i>Note 2</i>)	1,577,095,234 (L)	53.67%
		88,521,234 (S)	3.01%
Mr. Ho Chi Sing	Interest of controlled corporation (<i>Note 3</i>)	1,577,095,234 (L)	53.67%
		88,521,234 (S)	3.01%
Celestial Energy Limited (“ Celestial ”)	Interest of controlled corporation (<i>Note 3</i>)	1,577,095,234 (L)	53.67%
		88,521,234 (S)	3.01%
Billion Capital Shine Inc.	Person having a security interest in Shares	1,472,300,000 (L)	50.10%
China Orient Asset Management (International) Holding Limited	Interest of controlled corporation	1,472,300,000 (L)	50.10%
China Orient Asset Management Co., Ltd.	Interest of controlled corporation	1,472,300,000 (L)	50.10%
Dong Yin Development (Holdings) Limited	Interest of controlled corporation	1,472,300,000 (L)	50.10%
Wise Leader Assets Ltd.	Interest of controlled corporation	1,472,300,000 (L)	50.10%
Prudence Investment Management (Hong Kong) Limited	Investment manager	586,216,896 (L)	19.95%
Flying Investments Limited	Beneficial owner	199,160,000 (L)	6.78%
Fung Wing Nam Florence	Interest of controlled corporation	199,160,000 (L)	6.78%

Notes:

(1) The letter “L” denotes long position in the Shares; “S” denotes short position in the Shares.

- (2) FEEL is held by Ms. Zhao Jiangbo (“**Mrs. Zhang**”), Mr. Zhang Ruilin (“**Mr. Zhang**”) and Mr. Zhao Jiangwei (“**Mr. Zhao**”) as to 80%, 9.99% and 10%, respectively. On May 24, 2013, 72,000 shares in FEEL were issued to Mrs. Zhang, 399,070,000 shares in the Company were transferred from FEEL to Champion International Energy Limited (“**Champion**”), 399,070,000 shares in the Company were transferred from FEEL to Orient International Energy Limited (“**Orient**”), 475,000,000 shares in the Company were transferred from FEEL to New Sun International Energy Limited (“**New Sun**”) and 141,460,000 shares in the Company were transferred from FEEL to Power International Energy Limited (“**Power**”). Each of Champion, Orient, New Sun and Power is a wholly-owned subsidiary of Sunrise Glory Holdings Limited, which is itself a wholly-owned subsidiary of FEEL. Mrs. Zhang, Mr. Zhang and Mr. Zhao 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 FEEL. 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 shall be allowed to vote on his, Mrs. Zhang’s and Mr. Zhao’s shares. The long interests which FEEL, Mr. Zhang and Mr. Zhao have in the 1,577,095,234 shares in the Company include (i) the beneficial interests which FEEL has (and in the case of Mr. Zhang and Mr. Zhao, the indirect beneficial interests which they have (through their shareholdings in FEEL)) in the 1,469,600,000 shares in the Company held by FEEL through its subsidiaries, (ii) the 7,887,000 share options granted to Mr. Zhang, (iii) the 7,887,000 share options granted to Mr. Zhao, (iv) the call option which FEEL, Mr. Zhang and Mr. Zhao have been granted, pursuant to a put and call option agreement, over the 88,521,234 shares in the Company held by Mr. Ho Chi Sing through Celestial, as further described in note (3) below, (v) the 100,000 shares owned by Mr. Zhang himself and (vi) 3,100,000 shares owned by Mr. Zhao himself.
- (3) The Company was informed on November 8, 2014 that TPG Star Energy Ltd. and Celestial had entered into a sale and purchase agreement pursuant to which Celestial had acquired and TPG Star Energy Ltd. has sold 211,855,234 ordinary shares in the Company.

On November 8, 2014, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into a put and call option agreement in relation to certain of the shares, pursuant to which the parties to the put and call option agreement have agreed to grant each other certain rights in relation to their Shares, and section 317(1)(a) of the SFO applies. Mr. Ho Chi Sing is the sole shareholder of the Celestial.

In particular, Mr. Ho Chi Sing, through his holdings in Celestial, is beneficially interested in 211,855,234 shares in the Company. Pursuant to the abovementioned put and call option agreement, Mr. Ho Chi Sing and Celestial have been granted a put option to resell/put 211,855,234 shares to FEEL, Mr. Zhang and Mr. Zhao.

On January 6, 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the letter agreement in relation to the put and call option. The Board was also informed that Great Harmony International Ltd (“**Great Harmony**”) and Celestial have entered into a sale and purchase agreement pursuant to which Great Harmony has agreed to acquire (or procure its affiliate or other person or company designated by it to acquire) and Celestial has agreed to sell 211,855,234 ordinary shares in the Company.

On January 18, 2017, February 23, 2017 and March 7, 2017, Celestial had ceased to have 53,334,000 shares, 40,000,000 shares and 30,000,000 shares in long and short positions, respectively.

On November 30, 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the supplemental agreement to the second letter agreement in relation to the put and call option agreement. For further details, please refer to the Company’s announcement dated November 30, 2017.

On May 17, 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the second letter agreement in relation to the put and call option agreement. For further details, please refer to the Company’s announcement dated May 17, 2017.

On November 30, 2017, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the supplemental agreement to the second letter agreement in relation to the put and call option agreement. For further details, please refer to the Company's announcement dated November 30, 2017.

On April 14, 2018, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the second supplemental agreement to the second letter agreement in relation to the put and call option agreement. For further details, please refer to the Company's announcement dated April 15, 2018.

On November 26, 2018, FEEL, Mr. Zhang, Mr. Zhao, Mrs. Zhang and Celestial entered into the third supplemental agreement to the second letter agreement in relation to the put and call option agreement. For further details, please refer to the Company's announcement dated November 26, 2018.

Saved as disclosed above in this section, as at the Latest Practicable Date, the Company had not been notified of any other persons (other than the Directors or chief executive of the Company) who had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO.

Saved as disclosed in this section, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business, apart from the business of the Company, which competes or is like to compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

4. INTEREST IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Group since December 31, 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, so far is known to the Directors, there is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

On November 20, 2009, Mr. Zhang Ruilin and Mr. Zhao Jiangwei, each an executive Director, each entered into a service contract with the Company, which is renewable yearly unless terminated (i) with twelve months' notice by either party, or (ii) by the Company upon certain events such as the Director having committed serious or persistent breaches of the service contract. Should the Company terminate the service contract, Zhang Ruilin and Zhao Jiangwei will be entitled to receive a severance payment equivalent to one year's basic pay under the service contract, save for circumstances described in item (ii) above.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing service contract or proposed service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2017, the date to which the latest published audited accounts of the Company were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or have given opinion or advice contained in this circular:

Name	Qualification
China Galaxy International Securities (Hong Kong) Co., Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, China Galaxy had no shareholding in any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2017, the date to which the latest published audited accounts of the Group was made up.

China Galaxy has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) or report(s) and reference to its name in the form and context in which it is included.

8. MISCELLANEOUS

This circular is prepared in both English and Chinese. In the event of inconsistency, the English version shall prevail.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date of this circular:

- (a) the contracts referred to in the paragraph headed "Directors' Service Contracts" in this Appendix;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from China Galaxy, the text of which is set out in this circular,
- (d) the written consent of China Galaxy referred to in paragraph 7 of this appendix;
- (e) the Oilfield Services Agreement;
- (f) the Renewed Oilfield Services Agreement; and
- (g) this circular.

NOTICE OF EGM



MIE HOLDINGS CORPORATION

MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “**EGM**”) of MIE Holdings Corporation (the “**Company**”) will be held at Room 13, 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong, Hong Kong on Friday, January 18, 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification or amendment the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the Continuing Connected Transactions (as defined in the circular of the Company dated December 31, 2018) and their annual caps for the three years ending December 31, 2021 at RMB167 million, RMB189 million and RMB208 million, respectively, be and are hereby approved, confirmed and ratified;
- (b) the framework agreement dated December 31, 2015 (the “**Oilfield Services Agreement**”) entered into between Jilin Guotai Petroleum Development Company* (吉林省國泰石油開發有限公司) (“**Jilin Guotai**”), a company incorporated in the PRC, Songyuan Guotai Petroleum Technology Service Company* (松原市國泰石油科技服務有限公司) (“**Guotai Technology**”) and the Company, under which Jilin Guotai and Guotai Technology has agreed to provide, and procure that their respective subsidiaries to provide, to the Group from time to time the Oilfield Services (as defined in the circular of the Company dated December 31, 2018) of which the aggregate transaction amount for the year ending December 31, 2018 in an amount of approximately RMB117.9 million, which had exceeded the approved annual cap of RMB82 million in respect of such transactions for the year ending December 31, 2018, be and is hereby approved, confirmed and ratified; and
- (c) the authorization to any one of the directors of the Company, or any other person authorized by the Board from time to time, for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things and take all such steps as he or she or they may in his or her or their absolute discretion consider to be necessary, expedient, desirable or appropriate to give effect to and implement the Continuing Connected Transactions and the Oilfield Services

NOTICE OF EGM

Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Continuing Connected Transactions and the Oilfield Services Agreement or the transactions contemplated thereunder be and are hereby approved, ratified and confirmed.”

By order of the Board
MIE Holdings Corporation
Zhang Ruilin
Chairman

Hong Kong, December 31, 2018

Notes:

- (1) All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the website of the Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (2) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at 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 not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) Where there are joint holders of any share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (5) For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, January 15, 2019 to Friday, January 18, 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with 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, for registration not later than 4:30 p.m. on Monday, January 14, 2019.

As at the date of this notice, the Board comprises of (1) the executive Directors namely Mr. Zhang Ruilin, 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 W. Miller and Mr. Guo Yanjun.