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## **MIE HOLDINGS CORPORATION**

**MI 能源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1555)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF PAN-CHINA RESOURCES LTD.**

On 20 August 2014, the Company and the Purchaser entered into the Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing the entire issued share capital of PCR at the Consideration of US\$90,000,000 (approximately HK\$702,000,000) (subject to adjustment).

As the applicable percentage ratios exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company pursuant to the Listing Rules and is subject to the announcement requirement under the Listing Rules.

**Shareholders and potential investors should note that the Disposal of PCR is subject to a number of Conditions which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise cautions when dealing in the securities of the Company.**

#### **THE AGREEMENT**

##### **Date**

20 August 2014

##### **Parties**

- (i) the Company as vendor; and
- (ii) the Purchaser as purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are independent of and not connected with the Company and its connected persons.

### **Assets to be disposed of**

The Sale Shares, representing the entire issued share capital of PCR

### **Consideration**

The Consideration of US\$90,000,000 (approximately HK\$702,000,000) (subject to adjustment) shall be paid by the Purchaser in cash according to the following schedule:

- (i) on the date of the Agreement, US\$27,000,000 (approximately HK\$210,600,000) (the "**First Payment**", being 30% of the Consideration);
- (ii) at Completion, an amount which together with the First Payment shall constitute 95% of the Consideration as adjusted pursuant to the paragraph headed "Adjustment of Consideration" below; and
- (iii) on or before 31 December 2014, the balance of the Consideration as adjusted pursuant to the paragraph headed "Adjustment of Consideration" below.

If the Purchaser is unable to pay in full the First Payment on the date of the Agreement, the Purchaser shall procure HBP to ensure timely payment of the balance of the First Payment, if and when required.

### **Adjustment of Consideration**

At Completion, the Consideration shall be adjusted as follows:

- (i) if the difference between the current assets and the current liabilities of PCR as at 31 December 2013 (the "**Net Working Capital**") is positive, the Consideration should be increased by such amount; and if the Net Working Capital is negative, the Consideration should be decreased by such amount; and
- (ii) if the payments made by the Group to PCR for its capital and operational expenditures and to any third persons for the benefit of PCR within its normal course of business, less the payments outside its normal course of business made by PCR to the Group (the "**Net Contribution Amount**") from 1 January 2014 and the Completion Date is positive, the Consideration should be increased by such amount; and if the Net Contribution Amount is negative, the Consideration should be decreased by such amount.

Whilst the final Consideration amount will be subject to the above adjustment to be finalized at Completion, it is currently estimated that the applicable percentage ratio with reference to consideration test under the Listing Rules will exceed 5% but will be below 25%. The Consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to numerous factors, including without limitation, the current production rate, cash flow, available reserves reports, financial information of PCR and public market transaction comparables.

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

### **Conditions**

Completion is subject to the following Conditions:

- (i) as at Completion, the PSC shall be in full force and effect and is valid and binding on PCR, and as far as the Company is aware, there is no event which may reasonably be expected to result in cancellation, termination or suspension of the PSC, or losing all or part of its participating interest under the PSC; and
- (ii) as at Completion, the Company shall be the beneficial owner of the Sale Shares free and clear of any lien, charge or encumbrance, and the Sale Shares shall represent all of the issued shares in the capital of PCR.

### **Completion**

Completion shall take place on the Completion Date or other date as the Company and the Purchaser may agree.

If Completion does not occur on or before the Long-stop Date:

- (i) due to reasons attributable to the Purchaser, or the Conditions are not satisfied due to willful conduct of the Purchaser, the Company is entitled to terminate the Agreement and retain the First Payment;
- (ii) due to reasons attributable to the Company or the Conditions are not satisfied by the Company (except for due to willful conduct of the Purchaser), the Purchaser is entitled to terminate the Agreement, the return of the First Payment and a payment of US\$8,000,000 (approximately HK\$62,400,000) from the Company.

### **INFORMATION ON THE GROUP**

The Group is an independent oil and gas group engaged in the exploration and production of oil and gas in China, Kazakhstan and USA. The Group operates the Daan, Moliqing and Miao 3 oilfields in the Songliao Basins and Dagang — Kongnan block in the Huanghua Basin under four separate production sharing contracts with PetroChina Company Limited (“**PetroChina**”), the largest oil company in China, and holds a 51% stake in Sino Gas & Energy Limited that operates Linxing and Sanjiaobei unconventional gas assets located in the Ordos Basin under two separate production sharing contracts. The Group also holds an exploration contract and four production contracts that allow the Group to conduct exploration and production activities in the Mangistau province in the southwestern region of Kazakhstan. In addition, the Group pursues other development and production opportunities in China, and exploration, development and production opportunities internationally, both independently and in partnership with other major and independent oil companies.

## **INFORMATION ON PCR**

PCR is a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company as at the date of this announcement.

The principal business activity of PCR is oil and gas development and production operations in China. Pursuant to the PSC, PCR holds 100% participating interest in the foreign contractor's entitlement and obligations. The PSC, signed in 1997 with a maximum term of 30 years, has been in the commercial production phase since 2009, currently covering an area of 31.29 square kilometers named Kongnan Block within the Dagang oilfield in Hebei province. PCR conducts oil development and production operations in the contracted area and shares in the production of crude oil with PetroChina after the successful development of oil reserves.

Based on the unaudited management accounts of PCR, the net assets of PCR as at 31 December 2013 and 30 June 2014 were approximately RMB283.6 million and RMB302.2 million. The audited net profits (before taxation and extraordinary items) of PCR for the year ended 31 December 2012 was approximately US\$10.3 million and the unaudited net profits (before taxation and extraordinary items) of PCR for the year ended 31 December 2013 and the six months ended 30 June 2014 were approximately RMB65.1 million and approximately RMB50.0 million respectively. The audited net profits (after taxation and extraordinary items) of PCR for the year ended 31 December 2012 was approximately US\$7.6 million and the unaudited net profits (after taxation and extraordinary items) of PCR for the year ended 31 December 2013 and the six months ended 30 June 2014 were approximately RMB49.5 million and approximately RMB37.1 million respectively.

Based on the abovementioned adjustment mechanism of the Consideration and the unaudited carrying value of PCR as of 30 June 2014, the Company estimates the net potential gain on the disposal to be approximately US\$31.8 million<sup>1</sup>. Upon Completion, a separate announcement will be published to confirm the final gain amount after all Consideration adjustment and transaction costs. The sale proceeds are intended for general working capital use by the Group.

Upon Completion, PCR will cease to be a subsidiary of the Company and the accounts of PCR will no longer be consolidated in the financial statements of the Company thereafter.

## **REASONS FOR AND BENEFIT OF THE DISPOSAL**

Since the acquisition of PCR in December 2012 from Sunwing Energy Limited, an indirect wholly-owned subsidiary of Ivanhoe Energy Inc., the Company has successfully implemented effective reservoir management and applied advanced technical expertise to enhance Kongnan's net 2P reserves from 2.03 mmbbls as of year end 2012 to 5.09 mmbbls as of year end 2013. That said, the net 2P reserves of Kongnan represents only about 2.6% of Group's total net 2P reserves of barrels of oil equivalent as of year end 2013.

<sup>1</sup> *The potential attributable gain of US\$31.8 million takes into account the assumption of full exercise of 9.9% co-investment right by Essentia on or prior to Completion (please refer to the Company's 2013 Annual Report for details) and is subject to further adjustments including transaction costs*

Accordingly, the Directors believe that the Consideration represents a fair valuation on PCR and a reasonable return to the Group. More importantly, the Directors believe this arm's-length transaction amongst two publicly listed companies will underscore and unlock the intrinsic value of the Group's remaining assets. The Board concludes that the terms and conditions of the Disposal are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated in Hong Kong and a wholly owned subsidiary of HBP. HBP is a public company listed on the Shenzhen Stock Exchange (SZSE: 002554) and principally engaged in the oil and gas field services by providing engineering solutions on process technology and equipment system for oil and gas fields. It is also an existing independent supplier for the Group. HBP also has investment in other oil and gas exploration and production projects in China.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company pursuant to the Listing Rules and is subject to the announcement requirement under the Listing Rules.

**Shareholders and potential investors should note that the Disposal of PCR is subject to a number of Conditions which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise cautions when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“Agreement”	the sale and purchase agreement dated 20 August 2014 between the Company and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Company”	MIE Holdings Corporation, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Completion Date”	28 November 2014
“Conditions”	conditions precedent to the Completion as set out in the Agreement

“connected person(s)”, “percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HBP”	China Oil HBP Science and Technology Corporation Limited, a public company listed on the Shenzhen Stock Exchange (SZSE: 002554) and the parent company of the Purchaser
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long-stop Date”	10 December 2014
“PCR”	Pan-China Resources Ltd., a company incorporated in the British Virgin Islands
“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PSC”	the petroleum contract between China National Petroleum Corporation and PCR for petroleum development and production in Kongnan Block, Dagang Oilfield, the PRC dated 8 September 1997 and as amended or supplemented from time to time
“Purchaser”	Hong Kong HuiHua Global Technology Limited, a company incorporated in Hong Kong
“Sale Shares”	33,450,229 shares of US\$0.01 each in PCR, representing the entire issued share capital of PCR at the date of this announcement
“Share(s)”	ordinary share(s) of US\$0.001 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United State dollars, the lawful currency of the United States of America
“%”	per cent

*For the purpose of this announcement and for illustrative purpose only, US\$ is converted into HK\$ at the rate of HK\$7.80:US\$1.00. No representation is made that any amounts in US\$ has been or could be converted at the above rates or at any other rates.*

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

Hong Kong, 20 August 2014

*As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei, Mr. Tak Yin Dexter Tao and Mr. Andrew Harper; (2) the non-executive director namely Mr. Wang Sing (Mr. Hung Leung is alternate to Mr. Wang Sing); and (3) the independent non-executive directors namely Mr. Mei Jianping, Mr. Jeffrey W. Miller and Mr. Cai Rucheng.*