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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)

**(1) KEY FINDINGS OF THE INVESTIGATION AND
THE INTERNAL CONTROL REVIEW;
(2) NON-COMPLIANCE OF CHAPTERS 14 AND 14A OF
THE LISTING RULES IN RESPECT OF
THE PROVISION OF GUARANTEE; AND
(3) CONTINUED SUSPENSION OF TRADING**

This announcement is made by MIE Holdings Corporation (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated February 27, 2023, March 27, 2023, March 31, 2023, May 3, 2023, May 18, 2023, July 6, 2023 and August 31, 2023 (collectively, the “**Announcements**”), in relation to, among others, (i) the Investigation and the establishment of the Investigation Committee; (ii) the delay in publication of the 2022 Annual Results and despatch of the 2022 Annual Report; (iii) the publication of unaudited financial information of the Group for the year ended December 31, 2022; (iv) the suspension of trading in the shares of the Company (the “**Shares**”) with effect from 9:00 a.m. on April 3, 2023; (v) the engagement of Investigation Consultant and postponement of the 2023 AGM; (vi) the Resumption Guidance for the resumption of trading in the Shares received from the Stock Exchange; (vii) the change of auditor of the Company; and (viii) the delay in publication of the 2023 Interim Results and despatch of the 2023 Interim Report.

Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

BACKGROUND, SCOPE AND MAJOR INVESTIGATION PROCEDURES OF THE INVESTIGATION

Background

As disclosed in the announcement of the Company dated February 27, 2023, the Board and Audit Committee were informed by PricewaterhouseCoopers, the former auditor of the Company, of the Relevant Matters that have come to their attention during the process of the 2022 Audit. The Investigation Committee, comprising all independent non-executive Directors, has been established by the Board to investigate the Relevant Matters, including the Guarantee and the Repayments, and other related matters including the internal control deficiencies of the Group, if any.

As announced by the Company on May 3, 2023, the Investigation Committee has, on April 27, 2023, appointed BT Corporate Governance Limited (an operating entity of Baker Tilly Hong Kong) to act as the Investigation Consultant to conduct the Investigation and to produce a report of findings on the Investigation to the Investigation Committee. The Investigation Committee has also engaged the Investigation Consultant to conduct a separate internal control review on the Group.

On September 13, 2023, the Investigation Consultant issued the final report on the Investigation (the “**Report**”) to the Investigation Committee. The Investigation Consultant also issued the internal control review report (the “**IC Report**”) to the Investigation Committee.

This announcement provides Shareholders and investors with information on, among others, the key findings of the Investigation and the internal control review, and the opinions of the Investigation Committee and the Board thereon.

Scope of the Investigation

The primary scope of the Investigation are as follows:

1. Part I — on the non-compliance relating to the Guarantee provided by Gobi Energy, a subsidiary of the Company, including understanding and ascertaining:
 - (i) the background of the Loan from the Lender to Mr. Zhang;
 - (ii) the current outstanding amount of the Loan and whether any asset of the Group has been taken by the Lender or pledged by the Group in relation to or for purpose of the Loan;
 - (iii) the relevant background, including the process of approval, of the Guarantee;
 - (iv) whether and when the Guarantee has been discharged; and
 - (v) the relationships between (a) the Lender and (b) Mr. Zhang, the Group and any of its connected persons (as defined under the Listing Rules).

2. Part II — on the repayment of the Loan allegedly by Camel Oil, a subsidiary of the Company, and other third parties for and on behalf of Mr. Zhang, including understanding and ascertaining:
 - (i) the nature of the Alleged Payment in the amount of RMB10 million made by Camel Oil to the Lender in May 2017, as well as its relevant background, process of approval and subsequent accounting treatment;
 - (ii) whether the parties mentioned in the Second Judgment, including Camel Oil, have made any repayments to the Lender for and on behalf of Mr. Zhang and if so, the underlying reasons; and
 - (iii) the relationships between (a) each of these parties and (b) Mr. Zhang, the Group and any of its connected persons.

Major Investigation Procedures

The major investigation procedures conducted by the Investigation Consultant included, but not limited to, the following:

1. obtaining and reviewing the relevant documents and correspondences relating to the Loan, the Guarantee and the Repayments, including but not limited to the Loan agreement, any records of repayment of the Loan, the Guarantee, the relevant PRC judgements in relation to the Loan dispute between the Lender and Mr. Zhang, the Mediation Agreement, the three Settlement Agreements, the assets purchase agreement and the termination agreement;
2. reviewing the existing internal control policies, procedures and practices of the Group, particularly, those relating to provisions and approval of loans and guarantees, and conducting interviews with the relevant personnel of the Group who were responsible for carrying out such policies and procedures;
3. conducting interviews with the relevant parties in order to understand, among others, (i) the background of the Loan, the Guarantee and the Repayments, including the underlying reasons for the Repayments made by the third parties for and on behalf of Mr. Zhang; and (ii) the circumstances leading to the entering of the assets purchase agreement by Camel Oil and its subsequent termination and assessing its commercial substance and rationale;
4. performing independent background searches on the Lender and the third parties relevant to the Repayments, and ascertaining whether such parties are connected persons of the Company under Chapter 14A of the Listing Rules;
5. issuing independent requisition letters to the relevant banks of the Group and obtaining bank confirmations to ascertain whether (i) during the financial years of the Company ended December 31, 2020, 2021 and 2022 (“FY2020”, “FY2021” and “FY2022”, respectively), other than the Guarantee, the Group had provided any other guarantee to Mr. Zhang; and (ii) any bank accounts of the Group had been frozen as at December 31, 2020, 2021 and 2022, respectively, and if so, the reasons and the latest status;

6. performing litigation searches on Mr. Zhang, the Company and the key subsidiaries of the Company (including Gobi Energy and Camel Oil) to ascertain whether, during FY2020, FY2021 and FY2022, there were any legal proceedings involving the Group or Mr. Zhang, particularly, those relating to and/or resulting in asset seizure, asset pledge and discharge and if so, the latest status;
7. obtaining the credit reports of the key subsidiaries of the Company (including Gobi Energy and Camel Oil); and
8. performing sample checks on material fund outflows of the Group during FY2020, FY2021 and FY2022, obtaining and reviewing the underlying supporting documents, assessing the commercial substance and rationale of such fund outflows and identifying any dubious and/or unexplained outflow of funds.

During the performance of the above procedures, there were certain limitations encountered by the Investigation Consultant as more fully described in the section headed “Key Limitations of the Investigation” in this announcement.

SUMMARY OF THE KEY FINDINGS OF THE INVESTIGATION

Based on the major investigation procedures as set out in the section headed “Major Investigation Procedures” in this announcement and subject to the limitations of the Investigation as further set out in the section headed “Key Limitations of the Investigation”, the Investigation Consultant has made the following key findings in relation to the Relevant Matters:

Part I — Non-compliance relating to the Guarantee provided by Gobi Energy

Based on the Report, the following sets out the background of the Loan and the circumstances leading to the provision of the Guarantee by Gobi Energy:

The Loan

1. In December 2007, Mr. Zhang borrowed a loan in the amount of RMB50 million from Jiangsu Zhonghuai Construction Group Co., Ltd* (江蘇中淮建設集團有限公司). Such loan was novated to the Lender in June 2010, with a maturity date of August 1, 2011. Subsequently, in May 2011, Mr. Zhang borrowed another loan in the amount of RMB5 million from the Lender, with a maturity date of May 24, 2012 (collectively, the “**Loan**”).
2. The Lender was previously a supplier of the Group, providing surface engineering construction services. The legal representative (also a shareholder of the Lender at the relevant time) of the Lender was an acquaintance of Mr. Zhang. The Lender is not a connected person of the Company under Chapter 14A of the Listing Rules. The Loan was provided to Mr. Zhang for his own personal use.

3. In February 2016, as Mr. Zhang did not repay the Loan, the Lender filed a claim against Mr. Zhang and Gobi Energy in the PRC court. In the claim, the Lender asserted that the Loan was used for the operation of Gobi Energy and Gobi Energy shall be jointly liable for the repayment of the Loan according to relevant PRC laws and regulations. Gobi Energy was listed as the second defendant in this claim (the “**Lawsuit**”).
4. Mr. Zhang instructed the Group’s internal PRC legal adviser (the “**Internal PRC Legal Adviser**”) to handle the Lawsuit. The Internal PRC Legal Adviser communicated with the Lender and the Court and emphasised that the Loan was not used for the operation of Gobi Energy. Nonetheless, the Court considered that the obligation of Gobi Energy, if any, shall be determined by the Court when it hears the Lawsuit.

The Guarantee

5. In connection with the Lawsuit, the Lender also intended to seek a freezing order against the assets of Gobi Energy which would seal, seize and freeze the assets until the Lawsuit is adjudicated. Having considered that the Lawsuit could be lengthy and the freezing order may impact the business operation of Gobi Energy, the Internal PRC Legal Adviser suggested negotiating with the Lender to have Gobi Energy removed as a defendant of the Lawsuit. Mr. Zhang took the suggestion. During the negotiation, the Lender requested Gobi Energy to provide a guarantee as a compromise for removing Gobi Energy as a defendant. Accordingly, an agreement (the “**Guarantee Agreement**”) was signed among Mr. Zhang (as borrower), the Lender (as lender) and Gobi Energy (as guarantor) on March 26, 2016 for Gobi Energy to provide the Guarantee for Mr. Zhang’s repayment obligations under the Loan. The Guarantee Agreement was signed by Mr. Zhang for and on behalf of Gobi Energy, as Mr. Zhang was the sole director of Gobi Energy at the time.
6. As Mr. Zhang had instructed the Internal PRC Legal Adviser to handle the Lawsuit at the relevant time, Mr. Zhang considered that the Internal PRC Legal Adviser would follow the Group’s internal procedures to handle and report any matters relating to or arising from the Lawsuit, including the Guarantee. However, the Internal PRC Legal Adviser (who did not engage in regular communications with the Board) only reported the same to Mr. Zhang and the Executive Vice President* of the Company (執行副總裁) (the “**EVP**”) at the time (who has already left the Group). The Board (save for Mr. Zhang) as a result was not aware that Gobi Energy had entered into the Guarantee Agreement at the relevant time.

Settlement of the Loan and Release of the Guarantee

7. On March 29, 2016, the Mediation Agreement was issued by the Court, pursuant to which the parties acknowledged that Mr. Zhang owed the Lender a loan principal of RMB59.5 million and interest of RMB4.95 million. Gobi Energy was removed as a defendant of the Lawsuit.

8. As Mr. Zhang failed to fully repay his Loan to the Lender according to the Mediation Agreement, three Settlement Agreements were subsequently signed by Mr. Zhang (as borrower), the Lender (as lender) and Gobi Energy (as guarantor) on March 10, 2017, April 13, 2018 and May 18, 2021, respectively. According to the last Settlement Agreement dated May 18, 2021, it was agreed that the total amount owed by Mr. Zhang to the Lender was RMB35 million. Gobi Energy's assets were frozen for about two weeks in May 2021. Such freezing order was uplifted after Mr. Zhang and the Lender entered into the last Settlement Agreement. The Chief Financial Officer of the Company ("CFO") was made aware of the existence of the Guarantee as a result, but he did not know the background and the reasons for entering into the Guarantee Agreement.
9. Based on the percentage ratios at the relevant time, the provision of Guarantee under the Guarantee Agreement and the three Settlement Agreements by Gobi Energy would have constituted a discloseable transaction and a non-exempt connected transaction of the Company under Chapters 14 and 14A of the Listing Rules, and subject to reporting, announcement, circular and independent Shareholders' approval requirements.
10. Based on the review of the relevant repayment records, the Loan has been fully repaid and settled by Mr. Zhang on May 27, 2021. Accordingly, the Guarantee was also released.

Mr. Zhang's legal proceeding against the Lender for over-repayment

11. In November 2021, Mr. Zhang filed an appeal in the PRC court requesting the Lender to return an over-repayment of the Loan as he considered that he had repaid more than he owed to the Lender. The appeal did not succeed at first instance. A second appeal was lodged by Mr. Zhang in June 2022 and the same was also rejected (collectively, the "**Appeal**"). As at the date of the Report, the Appeal case was closed.

Conclusion

12. Based on the Investigation findings, the Investigation Consultant concluded that:
 - (i) Mr. Zhang did not report the Guarantee to the Board as he believed that the Internal PRC Legal Adviser would follow the Group's internal procedure to handle and report any matters relating to or arising from the Lawsuit, including the Guarantee. However, the Internal PRC Legal Adviser only reported the relevant matters to Mr. Zhang and the then EVP, and consequently, the same was not reported to the Board. It was under such circumstances and due to insufficient communication between Mr. Zhang and the Internal PRC Legal Adviser and their misunderstanding of the internal procedures that the relevant compliance requirements under the Listing Rules in relation to the Guarantee were not followed.
 - (ii) Regarding the entering into of the Guarantee Agreement by Gobi Energy, the Investigation Consultant considered that there were certain internal control deficiencies of the Group. Please refer to the section headed "Internal Control" in this announcement for further details.

- (iii) As at the date of the Report, the Loan has been repaid in full and accordingly, the Guarantee has been released. The Guarantee Agreement was only entered into at the time such that Gobi Energy could be removed as a defendant of the Lawsuit and with a view of limiting any potential impact of the Lawsuit on the Group. There was no evidence to suggest that Gobi Energy has repaid any amount of the Loan for and on behalf of Mr. Zhang. Also, none of the Group's assets have been taken by the Lender or pledged by Mr. Zhang for the Loan.
- (iv) Based on the Investigation, the Investigation Consultant also did not find any evidence to suggest that the Group had provided any other guarantee to Mr. Zhang during FY2020, FY2021 and FY2022; nor had any bank accounts of the Group been frozen as at December 31, 2020, 2021 and 2022. For further details, please refer to the sub-section headed "Part III — Others" in this announcement.

Part II — Repayment of the Loan allegedly by Camel Oil and other third parties for and on behalf of Mr. Zhang

Based on the Report, the following sets out the findings of the Investigation Consultant in relation to the Alleged Payment and the Repayments:

The Alleged Payment

13. On May 10, 2017, Camel Oil made a payment in the amount of RMB10 million to the Lender. According to the interviews conducted and the review of relevant documents by the Investigation Consultant, such payment was made in accordance with the assets purchase agreement dated May 3, 2017 (the "APA") entered into by Camel Oil (as purchaser) and the Lender (as seller), pursuant to which Camel Oil was to acquire 51% of the Lender's interest in an office building and certain factory buildings and garages (collectively, the "Subject Properties") from the Lender at a total consideration of RMB24 million. The Subject Properties were intended to be used as offices of the Group to provide office space for employees in Jilin, as they were working at dispersed locations at the time with insufficient office space. The Group had conducted due diligence and site inspection to assess the feasibility, benefits and risks of the proposed acquisition and decided to proceed with the proposed acquisition. The APA was reviewed and approved by various relevant departments in accordance with the contract approval process of the Group. The RMB10 million represented the deposit payable by Camel Oil under the APA (the "Deposit"). Based on the percentage ratios at the relevant time, the proposed acquisition did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. It was also not a connected transaction of the Company under Chapter 14A of the Listing Rules.
14. According to the APA, the Lender agreed to obtain the relevant licences for the Subject Properties by the end of October 2017. Should the Lender fail to do so, the Lender shall return the Deposit to Camel Oil. As the Lender was unable to obtain the relevant licences for the Subject Properties pursuant to the APA, the Group requested for termination of the APA. A termination agreement (the "TA") was signed by the parties on August 16, 2018, pursuant to which the Lender agreed to return the Deposit by November 1, 2018. Subsequently, as there was a shift in business focus of the Group,

there was no imminent need for the Group to acquire additional office space in the PRC and Camel Oil had not made any purchases for new offices following the termination of the APA.

15. After the entering into of the TA, Camel Oil has demanded for but has not recovered the refund of the Deposit. After the responsible person left the Group, no follow up action was taken by Camel Oil in this regard.
16. The Deposit was recorded as a deposit for the APA in the books of Camel Oil. Based on the interview with the then Chief Financial Officer of the Company, such amount was subsequently provided for and written off by Camel Oil. As the proposed acquisition was slow in progress (particularly, regarding the status for obtaining the relevant licences for the Subject Properties) and given that the Lender was in a tight financial position, he considered that there was uncertainty in recovering the Deposit and has therefore made the provision based on a more prudent approach. Based on the findings of the Investigation Consultant, provision was made for the Deposit by Camel Oil on August 31, 2017.
17. For the purpose of collecting evidence for the Appeal, the personal assistant of Mr. Zhang requested the Company to prepare certain written confirmations considering Gobi Energy was the guarantor under the Guarantee.
18. The Appeal judgment refers to a written confirmation dated November 15, 2021 issued by Camel Oil, which stated that it has paid RMB10 million to the Lender for and on behalf of Mr. Zhang in May 2017 (the “**Statement**”).
19. According to the interviews conducted by the Investigation Consultant, the Statement was prepared by the cashier of Camel Oil. In preparing the Statement, the cashier only noted that Camel Oil has made a payment of RMB10 million (non-operating in nature) to the Lender in May 2017, but did not review any supporting document as to the purpose of such payment. She also did not verify the contents of the Statement with anyone. After preparing the Statement, the same was passed for approval by the Head of the Finance Department, who approved the Statement without checking or verifying the contents.
20. It was against such background that the Statement was prepared and produced. Given that the Statement was referred to in the Appeal judgment, it was stated in the Second Judgment that Camel Oil has made repayment in the amount of RMB10 million for and on behalf of Mr. Zhang. However, based on the repayment records reviewed by the Investigation Consultant and the relevant interviews conducted, such amount was actually repaid by other third parties, namely (i) Jilin Kuntai Energy Investment Co., Ltd* (吉林省坤泰能源投資有限公司) (“**Jilin Kuntai**”); and (ii) Shenzhen Yelang Investment Co., Ltd* (深圳市野狼投資有限公司) (“**Yelang**”) for and on behalf of Mr. Zhang, respectively (and such repayments amounted to a total amount of RMB10 million). Please refer to the sub-section headed “The Repayments” in this announcement for further details.

The Repayments

21. Based on the interview conducted with Mr. Zhang and the review of the repayment records, the following eight parties have made repayments of the Loan for and on behalf of Mr. Zhang. The Investigation Consultant has also conducted interviews with these parties (save for those who did not attend, as indicated below) and performed independent background searches on them.

Name	Connected person of the Company under the Listing Rules (Y/N)	Other relationships with the Company or the Group	Payment amounts for and on behalf of Mr. Zhang (RMB)	Reasons for making the Repayments for and on behalf of Mr. Zhang
(i) Jilin Kuntai	Y (Note 2)	Nil	23,500,000	Jilin Kuntai was controlled by the spouse of Mr. Zhang
(ii) Chengxin Li* (李成鑫) (“Mr. Li”) (Note 1)	N	Nil (It is noted that Mr. Li is the legal representative of one supplier of the Group)	15,700,000	Mr. Zhang has repaid Mr. Li’s debts for him previously
(iii) Kunyuan Petroleum Equipment (Shanghai) Co., Ltd* (坤垣石油裝備(上海)有限公司) (“Kunyuan”) (Note 1)	N	Previously a supplier of the Group until around 2015; currently no business or other relationships	6,000,000	Mr. Zhang has repaid Kunyuan’s debts for Kunyuan previously
(iv) Yelang	N	Nil	5,000,000	Parties were in friendly relations
(v) Jilin Guotai Petroleum Development Co., Ltd* (吉林省國泰石油開發有限公司) (“Jilin Guotai”)	Y (Note 2)	Supplier of the Group	27,000,000	Jilin Guotai was controlled by the spouse of Mr. Zhang
(vi) Da’an Shengda Agriculture Co., Ltd* (大安市盛達農業有限公司)	N	Previously a supplier of the Group until around April 2017; currently no business or other relationships	3,000,000	Parties were in friendly relations
(vii) Da’an Tianrong Metal Products Co., Ltd* (大安市天榮金屬製品有限公司)	N	Supplier of the Group	1,278,643.35	Parties were in friendly relations
(viii) Da’an Xingsheng Petroleum Material Trade Co., Ltd* (大安市興盛石油物資經貿有限公司)	N	Supplier of the Group	3,721,356.65	Parties were in friendly relations
Total			85,200,000	

Notes:

1. These parties did not attend the interviews with the Investigation Consultant. As alternative procedures, the Investigation Consultant has obtained written confirmations from these parties confirming that they have respectively made repayments of the Loan for and on behalf of Mr. Zhang.
2. Mrs. Zhang, the spouse of Mr. Zhang, is a controlling shareholder of Jilin Kuntai and Jilin Guotai, respectively (holding 95% and 70% of their shares, respectively). Mr. Zhao Jiangwei, an executive Director, is also a shareholder of Jilin Guotai, holding 30% of its shares. Therefore, both Jilin Kuntai and Jilin Guotai are connected persons of the Company under Chapter 14A of the Listing Rules.

Based on the findings of the Investigation Consultant, while Mr. Zhao Jiangwei is a 30%-shareholder of Jilin Guotai, as he was and is not involved in the day-to-day operation of Jilin Guotai, he was not aware of the repayment made by Jilin Guotai for and on behalf of Mr. Zhang until details of the Relevant Matters were brought to his attention in around February 2023. Before then, he was also unaware if Gobi Energy had provided any guarantee to secure the obligations of Mr. Zhang in relation to the Loan.

Conclusion

22. Based on the Investigation findings, the Investigation Consultant concluded that:
 - (i) The payment of RMB10 million by Camel Oil to the Lender in May 2017 was pursuant to the APA and as the Deposit thereunder. Prior to the entering of the APA, relevant due diligence on the Subject Properties had been conducted; and the APA was properly approved by the Group. There was nothing to suggest that the proposed acquisition as contemplated under the APA was not genuine nor without commercial substance. Also, as stated in the TA, the Lender agreed to repay the Deposit to Camel Oil by November 1, 2018.
 - (ii) While the Statement otherwise suggested that the payment of RMB10 million represented a repayment by Camel Oil for and on behalf of Mr. Zhang, such Statement was mistakenly prepared and approved by the relevant personnel of the Finance Department of Camel Oil, without verifying its contents or cross-checking against supporting documents.
 - (iii) The Investigation Consultant identified certain internal control deficiencies of the Group regarding the preparation of the Statement; as well as the provision and writing off of the Deposit. Please refer to the section headed “Internal Control” in this announcement for further details.
 - (iv) Based on the repayment records and interviews with the relevant parties, eight third parties have made repayments of the Loan for and on behalf Mr. Zhang. Camel Oil was not one of them. Apart from the Statement (which was mistakenly prepared and approved, as explained above), there was no other evidence to suggest that the payment of RMB10 million from Camel Oil to the Lender was a repayment of the Loan for and on behalf of Mr. Zhang.

Part III — Others

23. Apart from the above findings on the two key issues, the Investigation Consultant has also conducted the following procedures during the Investigation and its findings are as follows:

Work done	Findings
(i) Issuing independent requisition letters to the relevant banks of the Group and obtaining bank confirmations	— Other than the Guarantee, the Group had not provided any other guarantee to Mr. Zhang during FY2020, FY2021 and FY2022 — None of the bank accounts of the Group had been frozen as at December 31, 2020, 2021 and 2022
(ii) Performing litigation searches on Mr. Zhang, the Company and the key subsidiaries of the Company (including Gobi Energy and Camel Oil) for FY2020, FY2021 and FY2022	— All litigation claims were settled or otherwise concluded as at the date of the Report
(iii) Obtaining the credit reports of the key subsidiaries of the Company (including Gobi Energy and Camel Oil)	— No ongoing litigation claims were identified
(iv) Performing sample checks on material fund outflows (in the amount of RMB10 million or above) of the Group during FY2020, FY2021 and FY2022	— A total of 188 material fund outflows were inspected (with all material fund outflows from the Group to third parties sampled and inspected) and no dubious material fund outflow was identified and all sampled material fund outflows were explained and accounted for

INTERNAL CONTROL

During the process of the Investigation, the Investigation Consultant identified the following internal control deficiencies of the Group and made the following recommendations:

Findings

Recommendations

Policies on information disclosure

- (i) At the time of the entering of the Guarantee Agreement by Gobi Energy, Mr. Zhang (as the chairman of the Board at the time and the responsible person under the relevant policy) failed to notify the Board of the Guarantee and as a result, the Company failed to report, announce and obtain independent Shareholders' approval for the Guarantee according to Chapters 14 and 14A of the Listing Rules.

This is also a breach of the Group's policy on connected transactions.

- (ii) The Group failed to provide regular trainings to the personnel responsible for information disclosure, which in turn affected their ability to effectively identify transactions that are subject to disclosure and increased the risk of non-compliance.
- (iii) The information disclosure policies failed to specify how and under which specific rules or regulations a transaction would be regarded as a "material" or "major" transaction and the relevant threshold. Hence, employees failed to effectively identify transactions that required disclosure.

To enhance the communication between the personnel responsible for information disclosure and the heads of departments/subsidiaries (particularly, the heads of PRC and overseas legal) by having more regular meetings and providing more relevant trainings.

At the time when a transaction is entered into, to ensure that it is properly evaluated and classified under Chapter 14 and/or Chapter 14A of the Listing Rules and in compliance with relevant disclosure and/or approval requirements.

To provide regular trainings (e.g. on an annual basis) to personnel responsible for information disclosure, and to keep proper training records (including attendance and training topics, etc.).

To specify in the information disclosure policies that transactions are classified according to the classification for notifiable transaction under Chapter 14 of the Listing Rules such that relevant employees would be able to better identify such transactions when they arise.

Findings

Policies on connected transactions

- (iv) Given the Guarantee was provided to Mr. Zhang, a connected person of the Company, it should have been submitted for approval by the Board and where applicable, the independent Shareholders.

Policies on management of legal affairs

- (v) When Gobi Energy was listed as the second defendant by the Lender in the Lawsuit, the legal head of the Company was not informed of the same. As such, it was difficult for the Group to ascertain whether there were any ongoing litigation or other proceedings against the Group and their potential impacts.

Recommendations

To enhance the communication among various department heads of the Group, including information disclosure and legal departments (PRC and overseas), as well as among subsidiaries by having more regular meetings and providing more relevant trainings.

At the time when a transaction is entered into, to ensure that it is properly evaluated and classified under Chapter 14 and/or Chapter 14A of the Listing Rules and in compliance with relevant disclosure and/or approval requirements.

To provide the Group's policy on connected transactions to the employees of the Group and to ensure strict compliance and execution of such policy when a connected transaction arises.

To enhance the communication among various department heads of the Group, including information disclosure and legal departments (PRC and overseas), by having more regular meetings and providing more relevant trainings.

Findings

Policies on use of company chop

- (vi) The use of the company chop does not require approval from the legal department. Accordingly, the legal department faces difficulties in ensuring whether the documents signed by the Group are in compliance with relevant laws, rules and regulations. Also, the legal department may not be fully aware if there is any ongoing arbitration or litigation against the Group.

Policies on bad debt provision and write-off

- (vii) Provision was made for the Deposit on August 31, 2017 (prior to the entering of the TA). No sufficient evidence was kept at the time to support that the Group was unable to recover the Deposit amount.

The Deposit was written off by the Company on December 31, 2019; however, formal Board approval for such write-off was only subsequently obtained on March 31, 2020.

Recommendations

To require that the company chop can only be used after obtaining approval from the head of the legal department.

To require relevant supporting documents be submitted for approval by relevant responsible persons when a provision or write-off of bad debts is to be made (i.e. the reasons for making the provision); and proper records shall be kept for all such supporting documents and relevant discussions.

To require proper approval from authorised persons be obtained prior to making any provision or write-off of bad debts by the finance department; and proper records shall be kept for all such approvals.

KEY LIMITATIONS OF THE INVESTIGATION

Certain key limitations the Investigation Consultant encountered during the Investigation process which may have limited the extent of the Investigation are set out below:

- (i) Three parties, namely (a) the Lender; (b) Mr. Li; and (c) Kunyuan, did not attend the interviews with the Investigation Consultant despite attempts having been made by the Investigation Consultant to reach out to them. The Investigation Consultant has performed alternative procedures as appropriate to serve its Investigation purpose. Such alternative procedures include reviewing the bank slips/records provided by Mr. Zhang as evidence of repayment of the Loan; and arranging for Mr. Li and Kunyuan to provide written confirmations and bank records to the Investigation Consultant.
- (ii) In performing the sample checks on the Group's material fund outflows, the Investigation Consultant has reviewed and looked at all the bank accounts of the Group's operating companies based on a list of bank accounts as provided by the Company. The Investigation Consultant was, however, not in a position to verify the completeness of such list. Nonetheless, the Investigation Consultant confirmed that the total balance of all the bank accounts as provided by the Group was consistent with the bank balance amount as stated in the Group's financial statements.
- (iii) The Investigation Consultant failed to obtain bank confirmations from two of the Group's bank accounts as they had been closed and were not in use by the Group since June 2021 and September 2022, respectively. The Investigation Consultant has performed alternative procedures as appropriate to serve its Investigation purpose. Such alternative procedures included reviewing the relevant bank statements of the Group, which indicated that there was no evidence to suggest that there had been any other potential liabilities of the Group.

OPINIONS OF THE INVESTIGATION COMMITTEE AND THE BOARD

The Investigation findings

The Investigation Committee and the Board are of the view that, subject to the findings of the e-Discovery (as defined in the sub-section headed "Preservation and review of relevant electronic data" in this announcement), the contents of the findings in the Report are reasonable and acceptable, and the Board is of the view that the Report has adequately addressed the concerns in relation to the Relevant Matters. Despite the Investigation has certain limitations, the Investigation Committee and the Board considered that the Investigation Consultant has taken practicable steps to conduct and complete the Investigation and that the information obtained during the Investigation are sufficient for its purpose.

In particular, the Investigation Committee and the Board have considered the roles of the following persons in relation to the Relevant Matters:

- (i) Mr. Zhang: failed to report the provision of the Guarantee by Gobi Energy to the Board and procure the Company to comply with the relevant compliance requirements under the Listing Rules

- (ii) The Internal PRC Legal Adviser: failed to report the provision of the Guarantee by Gobi Energy to the Board and the overseas legal department, but only to Mr. Zhang and the EVP
- (iii) The EVP: failed to report the provision of the Guarantee by Gobi Energy to the Board or take any other appropriate action
- (iv) The CFO: failed to report the provision of the Guarantee by Gobi Energy to the Board after becoming aware of its existence in May 2021
- (v) The cashier of Camel Oil: prepared the Statement without proper checking and verification
- (vi) The Head of the Finance Department of Camel Oil: approved the Statement mistakenly prepared by the cashier of Camel Oil without proper checking and verification

Save for the EVP who has left the Group in around May 2017, all of the above persons are still with the Group. The Investigation Committee and the Board are of the view that it is appropriate for the above persons to remain in the Group, having considered that the mistakes committed by them appeared to be unintentional and were due to an overall lack of sensitivity on compliance matters (and in the case of Mr. Zhang and the Internal PRC Legal Adviser, also due to insufficient communication between them and their misunderstanding of the internal procedures); and that none of the parties had any ulterior intent.

Further, regarding the preparation of the Statement, the Investigation Committee and the Board noted that the cashier of Camel Oil was newly hired at the time and was still picking up and getting used to her duties; and save for this incident, the past performance of the cashier and the Head of the Finance Department of Camel Oil had been satisfactorily good, and the incident appeared to be an isolated incident. The Investigation Committee and the Board have, based on the findings of the Investigation, discussed the relevant matters with the above persons and ensure that they are well aware of their oversight and would not commit any similar mistakes again. The Company has also enhanced its internal control policies, as discussed in the section headed “Internal Control” and the sub-section headed “Internal control review” in this announcement.

The Investigation Committee has discussed with Mr. Zhang regarding his directorship in the Company and it is agreed that Mr. Zhang’s duties as a non-executive Director (“NED”) would remain suspended until the 2023 AGM. At the 2023 AGM, Mr. Zhang would voluntarily retire from his office as NED and, being eligible, would stand for re-election. Mr. Zhang and his associates (as defined under the Listing Rules) would abstain from voting on the resolution for his re-appointment as NED and accordingly, his re-appointment would be solely determined by the independent Shareholders, who have been provided with the details of the Investigation findings as well as Mr. Zhang’s role and extent of involvement in the Relevant Matters. The Investigation Committee considers this as a prudent approach in determining whether Mr. Zhang should stay on the Board going forward.

The Board is also of the view that the findings identified in the Report do not have any material impact on the business operation and financial position of the Group. The Group’s business operation continues as usual in all material aspects despite the suspension of trading in the Shares since April 3, 2023.

Follow-up actions on the refund of the Deposit

Apart from the findings of the Investigation, regarding the release of the Guarantee and the refund of the Deposit, the Investigation Committee and the Board have also consulted a PRC legal adviser, who advised that, according to the relevant PRC laws and regulations:

- (i) Given that the Loan has been repaid in full (principal and interests) in accordance with the Settlement Agreements and no repayment notice/demand was received from the Lender to date, the repayment obligations of Mr. Zhang under the Settlement Agreements have been fulfilled and discharged. The Mediation Agreement is no longer in effect and would not be reinstated.
- (ii) Following the above, the guarantee obligations of Gobi Energy under the Guarantee Agreement have also been released. Gobi Energy is no longer liable for any repayment obligations for and on behalf of Mr. Zhang under the Guarantee Agreement.
- (iii) In relation to the refund of the Deposit, while Camel Oil has a right to file a legal claim against the Lender for the refund, such claim is subject to a time limitation of three years, which expired on October 30, 2021 (starting from November 1, 2018, being the deadline for the refund as agreed under the TA). Therefore, even if Camel Oil has the right under the relevant PRC laws and regulations to take legal action against the Lender and demand for the refund of the Deposit legally, it is likely that the Lender would rely on the statute of limitation as defence (i.e. time-barred) and refuse to honour its repayment obligation.

Despite the above legal advice, the Group has formally issued a demand letter requesting the Lender for a refund of the Deposit on July 31, 2023. As at the date of this announcement, no response to the demand letter has been received by the Group.

Preservation and review of relevant electronic data

As an additional procedure to the Investigation, the Investigation Consultant is currently performing preservation on the electronic data of relevant personnel of the Group and reviewing such electronic data retrieved based on search terms pertaining to the Relevant Matters (the “**e-Discovery**”). The e-Discovery is expected to be completed by the end of September 2023 and the Company will separately issue an announcement on the e-Discovery findings.

Internal control review

As discussed in the section headed “Internal Control” in this announcement, the Investigation Consultant has identified certain internal control deficiencies of the Group and made some recommendations. At the recommendation of the Investigation Committee, the Board has taken actions to improve the Group’s internal control policies according to the recommendations of the Investigation Consultant.

Apart from the above, the Investigation Committee has also engaged the Investigation Consultant to conduct a separate internal control review on the Group, with major focus on its financial reporting cycle, financial (including cash) management cycle and connected transactions and related party current account management cycle. The review covered a review period from January 1, 2021 to December 31, 2022.

Based on the findings in the IC Report, no material irregularities or flaws were identified. The following internal control deficiencies (all classified as of low or low to medium risk) were identified with improvement measures suggested:

Findings

- (i) “Month-end Closing Checklist” was not complied by the relevant financial personnel, the operation unit has been unable to ensure the completion of responsible personnel’s verification of all financial data, thereby posing challenges in guaranteeing the accuracy of financial statements.
- (ii) The operation unit’s lack of established limits and repayment deadlines for employee cash in advances, combined with the absence of an account aging analysis table and missing of dates on record of cash in advances may hamper timely reimbursement and expose the unit to risks such as excessive accumulation of employee advances and potential bad debts, with legal protection also compromised in the event of disputes.
- (iii) It is noted that under the current practice, the authorisation of online payments is solely responsible by the Chief Financial Officer without setting a limit on the authorised payment amount. The management may face challenges in minimising the risk of misappropriation of funds when dealing with larger payment amounts.

Recommendations

The “Month-end Closing Checklist” should be regularly compiled by the relevant financial personnel to outline the various closing tasks, and upon completion of these tasks by the respective accounting personnel, the responsible personnel for the closing process and an independent reviewer should sign with date on the checklist as written evidence of review.

A comprehensive internal control policy on employee cash in advances management should be established, including clear limits and repayment deadlines for employee advances, and that this policy be communicated to all employees to ensure strict adherence. Additionally, it is advisable for the operation unit to designate a responsible person to regularly prepare an account aging analysis table, which should be reviewed by the management, and to ensure proper documentation and record of approval documents.

A comprehensive internal control system should be implemented wherein payments exceeding a designated amount in the online banking system are subjected to approval by a second authorised personnel or, at the minimum, a notification is received from the bank to ensure sufficient approval, thereby reducing the reliance on a single individual, such as the Chief Financial Officer, for payment approvals.

As at the date of this announcement, all recommendations of the Investigation Consultant, including those as set out in the Report and in the IC Report, have been taken up and reflected in the updated and newly implemented internal control policies and procedures of the Group.

Publication of the 2022 Annual Results and the 2023 Interim Results

The Investigation Committee and the Audit Committee have communicated with BDO Limited, the auditor of the Company, in respect of the key findings of the Investigation for the purpose of the 2022 Audit and preparation of the 2022 Annual Results. The Company will use its best endeavours to publish the 2022 Annual Results and the 2023 Interim Results as soon as practicable; and will publish further announcement(s) to inform Shareholders of the date(s) of the Board meeting to approve the 2022 Annual Results and the 2023 Interim Results and the date(s) of despatch of the 2022 Annual Report and the 2023 Interim Report.

NON-COMPLIANCE OF CHAPTERS 14 AND 14A OF THE LISTING RULES IN RESPECT OF THE PROVISION OF GUARANTEE

As disclosed in the section headed “Summary of the Key Findings of the Investigation — Part I — Non-compliance relating to the Guarantee provided by Gobi Energy” in this announcement, Mr. Zhang (as borrower), the Lender (as lender) and Gobi Energy (as guarantor) entered into the Guarantee Agreement on March 26, 2016 and the three Settlement Agreements on March 10, 2017, April 13, 2018 and May 18, 2021, respectively, pursuant to which Gobi Energy provided the Guarantee to Mr. Zhang and was to be jointly and severally liable for the repayment obligation of Mr. Zhang owed to the Lender. As Mr. Zhang was an executive Director at the relevant time and a controlling shareholder of the Company, he is a connected person of the Company under Chapter 14A of the Listing Rules.

Based on the percentage ratios at the relevant time, the provision of Guarantee under the Guarantee Agreement and the three Settlement Agreements by Gobi Energy would have constituted a discloseable transaction and a non-exempt connected transaction of the Company under Chapters 14 and 14A of the Listing Rules, and subject to reporting, announcement, circular and independent Shareholders’ approval requirements.

The circumstances leading to the provision of Guarantee by Gobi Energy have been set out in the aforementioned section. As the Company did not announce, issue circular or obtain independent Shareholders’ approval for the provision of the Guarantee, the Company acknowledges that the entering into of the Guarantee Agreement and the Settlement Agreements by Gobi Energy constituted non-compliance under Chapters 14 and 14A of the Listing Rules. Given that the Loan had been fully repaid by Mr. Zhang and the Guarantee was released already, the Board (including the independent non-executive Directors) is of the view that it would not be meaningful for the Company to convene a general meeting for obtaining independent Shareholders’ approval for approving and ratifying the Guarantee.

Nonetheless, to prevent the occurrence of any similar incidents in the future, the Group will (i) arrange refresher trainings to be provided to the Directors and senior management members of the Company in relation to the Listing Rules, particularly on notifiable and connected transactions, such that their knowledge of the Listing Rules can be further strengthened; and (ii) seek advice from external professional advisers on Listing Rules compliance from time to time as appropriate. The Company has also conducted an external

review of its internal control policies and implemented more vigilant internal control policies according to the recommendations of the Investigation Consultant. Please refer to the section headed “Internal Control” and the sub-section headed “Internal control review” in this announcement for further details.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on April 3, 2023, and will remain suspended until further notice pending fulfilment of the Resumption Guidance and any supplement or modification thereof.

Shareholders and potential investors should exercise caution when dealing in the Shares and other securities of the Company.

By order of the Board
MIE Holdings Corporation
Mr. Zhao Jiangwei
Executive Director

Hong Kong, September 18, 2023

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhao Jiangwei and Mr. Lam Wai Tong; (2) the non-executive directors namely Mr. Zhang Ruilin (suspension of duties), Mr. Guan Hongjun and Ms. Gao Yan; and (3) the independent non-executive directors namely Mr. Mei Jianping, Mr. Liu Ying Shun, Mr. Yeung Yat Chuen, Mr. Guo Yanjun and Mr. Ai Min.

* *For identification purpose only*