

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against MIE Holdings Corporation (Stock Code: 1555) and One Current Director

SANCTIONS AND DIRECTION

The Stock Exchange of Hong Kong Limited (**Exchange**)

CRITICISES:

(1) **MIE Holdings Corporation (Company)**;

CENSURES:

(2) **Mr Zhang Ruilin**, non-executive director and Chairman of the Company (**Mr Zhang**);

AND FURTHER DIRECTS:

Mr Zhang to attend 21 hours of training.

SUMMARY OF FACTS

This case involves a director of the Company failing to (1) timely disclose to the board of directors of the Company (**Board**) a lawsuit brought against him and a subsidiary of the Company and a related guarantee provided by the subsidiary (being a notifiable and connected transaction) and (2) procure the Company to comply with the relevant Listing Rules.

At the material time, Mr Zhang was an executive director and the Chairman of the Company and the sole director of Gobi Energy Limited (**Gobi**), a wholly-owned subsidiary of the Company.

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In 2010 and 2011, Mr Zhang obtained two personal loans in a total sum of RMB55 million (**Loans**) from a lender (**Lender**). He failed to repay the Loans. In February 2016, the Lender filed a lawsuit in the PRC against him and Gobi for the default (**Lawsuit**). Although the Loans were personal loans of Mr Zhang, the Lender asserted that Gobi was jointly liable for repaying the Loans because the Loans were, as alleged by the Lender, used for Gobi's business operations.

In response, Mr Zhang delegated an internal PRC legal adviser of the Company (**Internal Legal Adviser**) to handle the Lawsuit and considered that the Internal Legal Adviser would report the matter to the Board. In March 2016, Mr Zhang signed for and on behalf of Gobi a guarantee agreement to secure the Loans (**Guarantee**), in return for the Lender's agreement to remove Gobi as a defendant from the Lawsuit.

The Loans remained outstanding. In 2017, 2018 and 2021, Mr Zhang, Gobi and the Lender entered into three settlement agreements regarding the repayment of the Loans (**Settlement Agreements**). In May 2021, as neither Mr Zhang nor Gobi repaid the Loans as agreed, Gobi's assets were frozen by a PRC court for about two weeks, until after Mr Zhang and the Lender entered into the last Settlement Agreement. The Loans were fully settled by Mr Zhang in May 2021, following which the Lender withdrew the Lawsuit and discharged the Guarantee.

At all material times, neither Mr Zhang nor the Internal Legal Adviser reported the Lawsuit, the Guarantee and the Settlement Agreements to the Board. Mr Zhang also did not follow up to ensure that the Lawsuit and the relevant transactions had been reported to the Board and handled in accordance with the Company's internal control procedures and the Listing Rules.

It was not until January 2023 that the Company's then auditors, during audit, uncovered the Lawsuit, Guarantee and Settlement Agreements from a PRC judgment. The Guarantee and Settlement Agreements constituted a discloseable transaction and a non-exempt connected transaction, but the Company failed to comply with the reporting, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

RULE REQUIREMENTS

Rule 14.34 requires a listed issuer to publish an announcement as soon as possible after the terms of a discloseable transaction have been finalised.

Rule 14A.35 requires a listed issuer to publish an announcement as soon as practicable after the terms of a connected transaction have been agreed.

Rule 14A.36 provides that a connected transaction must be conditional on independent shareholders' approval at a general meeting held by a listed issuer.

Rule 14A.46 requires a listed issuer to, amongst other things, send a circular to its shareholders at the same time or before the issuer gives notice of the general meeting if the connected transaction is to be approved by shareholders in a general meeting.

Rule 3.08 provides that the Exchange expects directors, both collectively and individually, to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law, and as may reasonably be expected of a person of his/her knowledge and experience and holding his/her office within the issuer.

Under Rule 3.09B, a director has an obligation under the Listing Rules to comply with the Listing Rules to the best of his ability and use his best endeavours to procure the listed issuer's compliance with the Listing Rules.

SETTLEMENT

The Company and Mr Zhang did not contest their respective breaches and agreed to accept the sanctions and direction as set out in this statement.

LISTING COMMITTEE'S FINDING OF BREACH

Company

The Guarantee and Settlement Agreements constituted discloseable transactions and non-exempt connected transactions, subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A. However, the Company failed to comply with these requirements, in breach of Rules 14.34, 14A.35, 14A.36 and 14A.46.

Mr Zhang

Whilst having delegated the matter to the Internal Legal Adviser, Mr Zhang should have informed the Board of the Lawsuit and sought the Board's approval for the Guarantee and the Settlement Agreements and procured the Company to comply with the applicable requirements under Chapters 14 and 14A of the Listing Rules. However, he did not do so.

Further, Mr Zhang did not take follow-up steps to proactively ensure that the Lawsuit and the relevant transactions had been handled in accordance with the Company's internal control procedures, and to remedy the matter. The situation had remained for years whilst there were opportunities where Mr Zhang could have enquired or followed up with the matter. Delegating the matter to the Internal Legal Adviser did not absolve Mr Zhang from his responsibilities or from applying the required levels of skill, care and diligence.

Based on the above, Mr Zhang has failed to discharge his director's duties and obligations under Rules 3.08 and 3.09B.

CONCLUSION

The Listing Committee decided to impose the sanctions and direction set out in this Statement of Disciplinary Action.

For the avoidance of doubt, the Exchange confirms that the above sanctions and direction apply only to the Company and Mr Zhang, and not to any other past or present directors of the Company.

Hong Kong, 4 March 2025