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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

CONTINUING CONNECTED TRANSACTIONS LOGISTICS SERVICES FRAMEWORK AGREEMENT (2023-2026)

LOGISTICS SERVICES FRAMEWORK AGREEMENT (2023-2026)

The Board hereby announces that on 3 March 2023, the Company entered into the Logistics Services Framework Agreement (2023-2026) with VVLJV, pursuant to which VVLJV agreed to provide logistics services to the Group for a period not exceeding three years, subject to the approval by the Independent Shareholders at the SGM, effective from 1 April 2023 or the date of approval (if later than 1 April 2023) up to 31 March 2026.

The terms of the Logistics Services Framework Agreement (2023-2026) were reached after arm's length negotiation between the Company and VVLJV. The Board (excluding the independent non-executive Directors and relevant Directors who have material interests in the CCTs and have abstained from voting in the Board's meeting) considers that the Logistics Services Framework Agreement (2023-2026) was entered into in the ordinary and usual course of business of the Group, and the terms of the Logistics Services Framework Agreement (2023-2026) are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

VVLJV is indirectly held as to 60% by Vision Values. Mr. Lo, the substantial shareholder, chairman and executive Director of the Company, is also the controlling shareholder, chairman and executive director of Vision Values. In view of Mr. Lo's shareholding and his corporate positions in both the Company and Vision Values, Vision Values is a connected person of the Company. As VVLJV is indirectly held as to 60% by Vision Values, VVLJV is therefore also a connected person to the Company. Accordingly, the transactions contemplated under the Logistics Services Framework Agreement (2023-2026) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the Annual Caps for the transactions contemplated under the Logistics Services Framework Agreement (2023-2026) are more than 5%, the CCTs are subject to requirements including reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

Pursuant to R13.39(6)(c) of the Listing Rules, in the event that all independent non-executive Directors of an issuer have material interests in the relevant transaction or agreement, no independent board committee can be formed. As Mr. Tsui Hing Chuen, William *JP*, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank, being the independent non-executive Directors are also the independent non-executive directors of Vision Values, no independent board committee would be formed to advise the Independent Shareholders in connection with the terms of the Logistics Services Framework Agreement (2023-2026) (including the Annual Caps), and Somerley has been appointed as the independent financial adviser to advise the Independent Shareholders directly in this regard.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Logistics Services Framework Agreement (2023-2026) and the transactions contemplated thereunder (including the Annual Caps). In view of the interests/corporate positions of Mr. Lo, Ms. Yvette Ong, Mr. Rex Lo, Mr. Chris Lo, Mr. Tsui Hing Chuen, William *JP*, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank in Vision Values, they and their respective associates will abstain from voting in relation to the resolution(s) to approve the Logistics Services Framework Agreement (2023-2026) (including the Annual Caps) at the SGM. The Logistics Services Framework Agreement (2023-2026) and the transactions contemplated thereunder (including the Annual Caps) will be voted by the Independent Shareholders at the SGM by way of poll.

A circular containing, amongst other things, further information on the terms of the Logistics Services Framework Agreement (2023-2026) (including the Annual Caps), an independent advice of the Independent Financial Adviser, together with a notice to convene the SGM to approve the Logistics Services Framework Agreement (2023-2026) (including the Annual Caps), is expected to be issued to the Shareholders as soon as possible and in any event, no later than 31 March 2023, as additional time is required by the Company for preparation of certain relevant information for inclusion in the circular.

INTRODUCTION

The Board hereby announces that on 3 March 2023, the Company entered into the Logistics Services Framework Agreement (2023-2026) with VVLJV, pursuant to which VVLJV agreed to provide logistics services to the Group for a period not exceeding three years, subject to the approval by the Independent Shareholders at the SGM, effective from 1 April 2023 or the date of approval (if later than 1 April 2023) up to 31 March 2026. It is to replace the existing logistics services framework agreement for the provision of logistics services to the Group by VVLJV which is going to expire on 31 March 2023. As 99% of the annual cap set under the existing logistics services agreement has been reached, the Group has ceased to engage VVLJV for the provision of logistics services unless and until the Logistics Services Framework Agreement (2023-2026) and the transactions contemplated thereunder (including the Annual Caps) have been approved by the Independent Shareholders at the SGM.

The principal terms of the Logistics Services Framework Agreement (2023-2026) are summarized as follows:

THE LOGISTICS SERVICES FRAMEWORK AGREEMENT (2023-2026)

Date: 3 March 2023

Parties: i. The Company; and
ii. VVLJV

Subject: VVLJV shall provide the Group with logistics services for coal and related products transportation in Xinjiang, the PRC including (i) gangue backfilling; and (ii) coal products (including delivery of coal products from coal washing plants or warehouse to designated locations requested by customers).

Term: Subject to the approval by the Independent Shareholders at the SGM, effective from 1 April 2023 or the date of approval (if later than 1 April 2023) to 31 March 2026. Both parties shall negotiate the renewal of the Logistics Services Framework Agreement (2023-2026) 30 days prior to its expiration.

Pricing policy: Prices are determined with reference to the prevailing market prices, by comparing quotations from independent third-party service providers in the proximate region.

The pricing regarding logistics services to be provided by VVLJV to the Group shall not be higher than the pricing of the same categories of logistics services provided by the independent third parties to the Group.

Annual Caps:	Financial year	Annual Caps <i>RMB</i>
	1 April 2023 to 31 March 2024	292,500,000
	1 April 2024 to 31 March 2025	365,625,000
	1 April 2025 to 31 March 2026	457,031,250

The Annual Caps in respect of the Logistics Services Framework Agreement (2023-2026) were determined with reference to (i) the historical logistics services' transaction amounts of the Group in the PRC with reference to the volume of raw coal exported; (ii) the recovery of the COVID-19 pandemic conditions in the PRC (in particular, the relaxation of certain regional logistics restrictions imposed in the 4th quarter of 2022); (iii) the estimated demand of logistics services required pursuant to the operation and development of the Group; (iv) the prevailing market prices; and (v) the logistics capacity of VVLJV.

Condition precedent: The Logistics Services Framework Agreement (2023-2026) is conditional upon the Independent Shareholders approving the Logistics Services Framework Agreement (2023-2026) and the transactions contemplated thereunder (including Annual Caps) at the SGM.

Jurisdiction: The Logistics Services Framework Agreement (2023-2026) shall be governed by the PRC law, with any arbitration to be carried out at the Beijing International Arbitration Center in Chinese. The result of the arbitration shall be binding on both parties.

Confidentiality: Saved for regulatory compliance purposes, the Company shall not disclose details of the Logistics Services Framework Agreement (2023-2026) without VVLJV's written consent. Terms of confidentiality shall survive 3 years after the expiration of the Logistics Services Framework Agreement (2023-2026).

Other terms: Separate individual logistics services agreements pursuant to the Logistics Services Framework Agreement (2023-2026) will be entered into between individual members of the Group and VVLJV setting out, among other things, details of the actual logistics services required, pricing and payment terms of the transactions.

Parties to the Logistics Services Framework Agreement (2023-2026) shall ensure the aggregate transaction amount under the separate agreements will not exceed the respective annual caps for each of the financial year. If the actual aggregate transaction amount exceeds the then annual cap, the Group shall re-comply with the relevant Listing Rules (including but not limited to obtain necessary independent shareholders' approval). VVLJV (with compliance of relevant laws and regulations) shall not refuse to provide such exceeded amount of logistics services.

Execution of the Logistics Services Framework Agreement (2023-2026) shall comply with the relevant requirements under the Listing Rules and relevant governing authorities, both parties shall comply with the relevant requirements under the Logistics Services Framework Agreement

The Logistics Services Framework Agreement (2023-2026) is non-exclusive in nature, the Group has the right to engage other logistics services providers for similar or other logistics services.

INTERNAL CONTROL

The Company has established internal control measures to ensure that the continuing connected transactions contemplated under the Logistics Services Framework Agreement (2023-2026) are in accordance with the pricing policies and internal procedures adopted by the Group, and that the terms of agreements and the price of the logistics services provided by VVLJV are on normal commercial terms and on terms no less favourable than those terms for similar logistics services obtained by the Group from independent third parties. Such internal control measures adopted by the Group include the following:

The Company has an internal control review committee (“**IC Committee**”), to oversee and monitor the on-going continuing connected transactions of the Group. The IC Committee comprises (i) the head of finance department; (ii) the head of the legal department; and (iii) the head of operation department. The IC Committee will report to the Board for all significant matters related to all on-going continuing connected transactions of the Group.

Before entering into the continuing connected transactions pursuant to the Logistics Services Framework Agreement (2023-2026), the relevant staff of the operation department will obtain at least two quotations from independent third-party logistics services providers selected from the list of pre-approved logistics service providers maintained by the Group to ensure that the pricing, payment and other major terms provided by VVLJV are no less favourable than those provided by independent third-party logistics services providers. The independent third-party logistics services providers to be selected for quotation purposes will be selected on the basis of the Group’s experience from previous logistics services obtained. In other words, the logistics service providers must be able to supply the required logistics services at competitive service fees and terms. The quotation together with the relevant supporting documents will then be reviewed by the finance department then approved by the IC Committee to ensure that the actual service fees payable will be in accordance with the pricing policy under the Logistics Services Framework Agreement (2023-2026) and that the transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Group and the Shareholders as a whole.

To ensure the CCTs do not exceed the Annual Caps, executed continuing connected transactions will be recorded by the relevant business departments and they shall provide monthly logistics services data of the Group in the PRC to the finance and legal departments of the Group for summary analysis (“**Monthly CCT Report**”). The Monthly CCT Report will be reviewed by the IC Committee. In the event that the amount of the CCTs reaches 70% of the Annual Caps, reminders will be sent to the relevant business departments of the Group for tighter control on the continuance of the CCTs and reports will be required on a fortnightly basis to ensure the Annual Caps will not be exceeded.

At any particular point of time, should the relevant business department notice that the transactions under CCTs will have the possibility of exceeding the Annual Caps, the relevant business departments will not enter further transactions and at once notify the finance and legal departments of the Group, as well as the IC committee for compliance of the relevant Listing Rules requirements. Furthermore, both parties to the Logistics Services Framework Agreement (2023-2026) acknowledge and agree that the services’ amounts could not exceed the Annual Caps set under the Logistics Services Framework Agreement (2023-2026).

The audit committee of the Company will hold interim and annual meetings to review and discuss the Group's CCTs compliance and makes recommendations and provides advices to the Company in respect of the irregular matters discovered pursuant to the Listing Rules.

INFORMATION OF VVLJV

The equity interests of VVLJV are owned as to 60% by Vision Values and 40% by XPHY and is an indirect non-wholly owned subsidiary of Vision Values. VVLJV's principal business is engaging in provision of logistics services in the PRC. XPHY is a company established in the PRC with limited liability and is jointly owned by Mr. Guo Changhong and Ms. Zheng Juan as to 67% and 33% respectively.

During the eight months period ended 31 December 2022, the unaudited amount of logistics services provided by VVLJV to the Group was approximately RMB130 million. As 99% of the annual cap set under the existing logistics services agreement has been reached, the Group has ceased to engage VVLJV for the provision of logistics services unless and until the Logistics Services Framework Agreement (2023-2026) and the transactions contemplated thereunder (including the Annual Caps) have been approved by the Independent Shareholders at the SGM.

To the best knowledge and belief of the Directors, Mr. Guo Changhong and Ms. Zheng Juan are both independent third parties to the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOGISTICS SERVICES FRAMEWORK AGREEMENT (2023-2026)

The Company is an investment holding company. The Group's principal business is coal mining and exploration which is operated by the Company's indirect wholly-owned subsidiary in Mongolia. The Group's principal project is the Khushuut Coking Coal Project in Western Mongolia. The Group sells coking coal and thermal coal to customers in the PRC and Mongolia.

The Group requires logistics services providers to provide logistics services from time to time in the Xinjiang region of the PRC. VVLJV has been one of the Group's logistics services providers and the provision of the logistics services by VVLJV to the Group had been governed by the existing logistics services framework agreement entered between the Group and VVLJV which will expire by 31 March 2023. In view of the on-going engagement with VVLJV and the management experience of VVLJV in the provision of logistics services in Xinjiang, the Company considered that, the entering into the Logistics Services Framework Agreement (2023-2026) would continue to supply an additional logistics services provider for the Group to enhance its operation.

The terms of the Logistics Services Framework Agreement (2023-2026) were reached after arm's length negotiation between the Group and VVLJV. The Board (excluding the independent non-executive Directors, Mr. Lo, Ms. Yvette Ong, Mr. Rex Lo and Mr. Chris Lo who have material interests in the CCTs and have abstained from voting in the Board meeting) considers that the Logistics Services Framework Agreement (2023-2026) was entered into in the ordinary and usual course of business of the Group, and the terms of the Logistics Services Framework Agreement (2023-2026) are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

VVLJV is indirectly held as to 60% by Vision Values. Mr. Lo, the substantial Shareholder, the chairman and executive Director of the Company, is also the controlling shareholder, chairman and executive Director of Vision Values. In view of Mr. Lo's shareholding and his corporate position in both the Company and Vision Values, Vision Values is a connected person of the Company. As VVLJV is indirectly held as to 60% by Vision Values, VVLJV is therefore also connected person of the Company. Accordingly, the transactions contemplated under the Logistics Services Framework Agreement (2023-2026) constitute continuing connected transactions for the Company under Rule 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the Annual Caps for the transactions contemplated under the Logistics Services Framework Agreement (2023-2026) are more than 5%, the CCTs are subject to requirements including reporting, announcement, annual review and Independent Shareholders' approval under Rule 14A of the Listing Rules.

Pursuant to R13.39(6)(c) of the Listing Rules, in the event that all independent non-executive Directors have material interests in the relevant transaction or agreement, no independent board committee can be formed. As Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank, the independent non-executive Directors are also independent non-executive directors of Vision Values, no independent board committee would be formed to advise the Independent Shareholders in connection with the terms of the Logistics Services Framework Agreement (2023-2026) (including the Annual Caps). Somerley has been appointed as the independent financial adviser to advise the Independent Shareholders directly in this regard.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Logistics Services Framework Agreement (2023-2026) and the transactions contemplated thereunder (including the Annual Caps). In view of the interests/corporate positions of Mr. Lo, Ms. Yvette Ong, Mr. Rex Lo, Mr. Chris Lo, Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank in Vision Values, they and their respective associates will abstain from voting in relation to the resolution(s) to approve the Logistics Services Framework Agreement (2023-2026) (including the Annual Caps) at the SGM.

A circular containing, amongst other things, further information on the terms of the Logistics Services Framework Agreement (2023-2026) (including the Annual Caps), an independent advice of the Independent Financial Adviser, together with a notice to convene the SGM to approve the Logistics Services Framework Agreement (2023-2026) (including the Annual Caps), is expected to be issued to the Shareholders as soon as possible and in any event, no later than 31 March 2023, as additional time is required by the Company for preparation of certain relevant information for inclusion in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Annual Caps”	the annual caps of service fee in respect of the Logistics Services Framework Agreement (2023-2026) for a term of three financial years commencing from the date of obtaining Independent Shareholders’ approval at the SGM and up to 31 March 2026
“Board”	the board of Directors
“CCTs”	Continuing connected transactions of the Company under the Logistics Services Framework Agreement (2023-2026)
“Company”	Mongolia Energy Corporation Limited, a company incorporated in Bermuda with limited liability whose issued shares are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Company advising the Independent Shareholders in respect of the Logistics Services Framework Agreement (2023-2026) and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	shareholders other than those who have material interests in the Logistics Services Framework Agreement (2023-2026) and are required to abstain from voting on the proposed resolution(s) approving the Logistics Services Framework Agreement (2023-2026) (including the Annual Caps) and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Logistics Services Framework Agreement (2023-2026)”	the logistics services framework agreement entered into between the Company and VVLJV dated 3 March 2023, for a period not exceeding three years subject to the approval by the Independent Shareholders at the SGM effective from 1 April 2023 up to 31 March 2026
“Mr. Chris Lo”	Mr. Lo, Chris Cze Wai, an executive Director of the Company, the son of Mr. Lo and the younger brother of Mr. Rex Lo
“Mr. Lo”	Mr. Lo Lin Shing, Simon, a substantial Shareholder, an executive Director, the chairman of the Company and the father of Mr. Rex Lo and Mr. Chris Lo
“Mr. Rex Lo”	Mr. Lo, Rex Cze Kei, an executive Director of the Company, the son of Mr. Lo and the older brother of Mr. Chris Lo
“percentage ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting of the Company to be convened and to approve the Logistics Services Framework Agreement (2023-2026) and the transactions contemplated thereunder (including the Annual Caps)
“Share(s)”	Shares of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vision Values”	Vision Values Holdings Limited (stock code: 862), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“VVL”	新疆遠見物流有限公司, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Vision Values
“VVLJV”	新疆遠見鴻業物流有限公司, a joint venture company established in the PRC under a joint venture agreement entered between VVL and XPHY and is held as to 60% by VVL

“XPHY”

新疆鑫鵬鴻業物流有限公司, a company established in Xinjiang, the PRC with limited liability which is held as to 67% and 33% by Mr. Guo, Changhong 郭長紅先生, and Ms. Zheng Juan 鄭娟女士 respectively

“%”

per cent.

By Order of the Board
Mongolia Energy Corporation Limited
Tang Chi Kei
Company Secretary

Hong Kong, 3 March 2023

As at the date of this announcement, the Board comprises nine Directors, including Mr. Lo Lin Shing, Simon, Ms. Yvette Ong, Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai as executive Directors, Mr. To Hin Tsun, Gerald and Mr. Tang Chi Kei as non-executive Directors, and Mr. Tsui Hing Chuen, William JB, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank as independent non-executive Directors.