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

If you have sold or transferred all your shares in Mongolia Energy Corporation Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)
AND
NOTICE OF SPECIAL GENERAL MEETING**

Independent Financial Advisor to the Independent Shareholders



A letter from the board of directors of Mongolia Energy Corporation Limited is set out on pages 5 to 17 of this circular.

A letter from Somerley Capital Limited, the Independent Financial Advisor, containing its advice to the Independent Shareholders is set out on pages 18 to 32 of this circular.

A notice convening the special general meeting of Mongolia Energy Corporation Limited to be held at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 21 April 2023 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the meeting (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting (or any adjournment thereof) should you so wish.

In the interest of all Shareholders' health and safety, particularly in view of the COVID-19 pandemic, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the resolution at the SGM instead of attending the SGM in person, by completing and returning the proxy form attached to this circular.

30 March 2023

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 3 March 2023 relating to the CCTs
“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
“Business Day(s)”	has the meaning ascribed thereto under the Listing Rules
“Bye-laws”	the bye-laws of the Company, as amended and supplemented from time to time
“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

DEFINITIONS

“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
“Latest Practicable Date”	27 March 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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 or the date of approval (if later than 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, the younger brother of Mr. Rex Lo and the elder brother of Mr. James Lo
“Mr. James Lo”	Mr. Lo, James Cze Chung, a non-executive Director of the Company, the son of Mr. Lo and the youngest brother of Mr. Rex Lo and Mr. Chris 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, Mr. Chris Lo and Mr. James Lo

DEFINITIONS

“Mr. Rex Lo”	Mr. Lo, Rex Cze Kei, an executive Director of the Company, the son of Mr. Lo, the eldest brother of Mr. Chris Lo and Mr. James Lo
“Notice of SGM”	the notice convening the SGM as set out on pages SGM-1 to SGM-3 of this circular
“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 circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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
“Share Capital”	the issued ordinary share capital 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

DEFINITIONS

“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, and Ms. Zheng Juan respectively
“%”	per cent.

LETTER FROM THE BOARD



MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

Executive Directors:

Mr. Lo Lin Shing, Simon (*Chairman*)
Ms. Yvette Ong (*Managing Director*)
Mr. Lo, Rex Cze Kei
Mr. Lo, Chris Cze Wai

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. To Hin Tsun, Gerald
Mr. Tang Chi Kei
Mr. Lo, James Cze Chung

*Head office and principal place of
business in Hong Kong:*

17th Floor
118 Connaught Road West
Hong Kong

Independent Non-executive Directors:

Mr. Tsui Hing Chuen, William *JP*
Mr. Lau Wai Piu
Mr. Lee Kee Wai, Frank

30 March 2023

To the Shareholders:

Dear Sirs or Madams,

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

1. INTRODUCTION

Reference is made to the Announcement in relation to the CCTs, pursuant to which VVLJV agreed to provide logistics services to the Group for a period until 31 March 2026 effective from the date of approval by the Independent Shareholders at the SGM.

The purpose of this circular is to provide the Shareholders with information in respect of the CCTs and to enable the Independent Shareholders to make their informed decision as to how to vote on the resolution at the SGM.

LETTER FROM THE BOARD

2. 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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

3. THE ANNUAL CAPS

Financial year	Annual Cap <i>RMB</i>
1 April 2023 to 31 March 2024 (“FY2024”)	292,500,000
1 April 2024 to 31 March 2025 (“FY2025”)	365,625,000
1 April 2025 to 31 March 2026 (“FY2026”)	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' transactions 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.

LETTER FROM THE BOARD

During the eight-month 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 have 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.

As the annual cap for the financial year ending 31 March 2023 (“FY2023”) had almost been fully utilised in the eight-month period and by annualising the actual transacted amount of RMB130 million would amount to approximately RMB195 million. The annual cap for FY2024 represents a growth rate of approximately 125% compared to the actual transacted amounts for FY2023. On an annualised basis, the annual cap for FY2024 represents a growth rate of around 50% when compared with the annualised FY2023 transaction amount.

Furthermore, when estimating the annual caps for FY2025 and FY2026, an annual growth rate of 25% on top of their respective preceding annual caps was taken into consideration.

When estimating the growth rate of around 50% for FY2024 as compared to an annualised transaction amount in FY2023 and an annual growth rate of around 25% for FY2025 and FY2026, the Group took into consideration an average annual growth rate in raw coking coal export volume of around 40% from the financial year ending 31 March 2020 to FY2023 and the historical growth of total demand of logistics services of the Company of around 50% in the recent years.

Due to the outbreak of the COVID-19 pandemic in the PRC during the 4th quarter of 2022, certain logistics restrictions were imposed in the Xinjiang region which hindered the operation of Group. As such logistics restrictions have been relaxed in 2023, it is anticipated that operation of the Group would recover. When estimating the Annual Caps, the Directors have factored in the demand for logistics services required in respect of such recovery.

LETTER FROM THE BOARD

Taking into consideration the above mentioned factors in estimating the total amount of logistics services required by the Group for the three financial years ending 31 March 2026, and after discussing with VVLJV's on the quantity of logistics services VVLJV is able to provide to the Group, the Group anticipates that the provision of logistics services by VVLJV will be amounted to approximately RMB292.5 million, RMB365.6 million and RMB457.0 million respectively.

In terms of pricing, there are no specific pricing terms in relation to the prices of logistics services. In fact, as the pricing for such services is floating and varies from time to time depending on factors such as the availability of drivers, trucks, fuel prices, low or peak seasons, distances, etc., it is impracticable to agree a fixed price or a pre-determined mechanism which may not be in the best interest to the Group. When determining the Annual Caps, the Directors took reference of the market price for similar services (including the historical average price per tonne of each type of logistics services utilized by the Group) entered into between the Company and the independent third parties from 2021 to 2022.

As the Annual Caps have taken into consideration (i) the relaxation of certain logistics restrictions imposed in the Xinjiang region; (ii) the latest available market price for logistics services provided by independent third-party logistics services providers; (iii) the latest customers' locations; (iv) the historical growth rate of the volume of raw coal exported and the historical growth of total demand of logistics services of the Company in the PRC and (v) the quantity of logistics services VVLJV is able to provide to the Group, pursuant to the discussion with the management of VVLJV, the Directors (excluding the independent non-executive Directors, Mr. Lo, Ms. Yvette Ong, Mr. Rex Lo, Mr. Chris Lo who have material interests in the CCTs and have abstained from voting in the Board meeting and Mr. James Lo, who was appointed as non-executive Director on 17 March 2023) considered that the Annual Caps are fair and reasonable and in the interest of the Company and its shareholders as a whole.

4. 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:

LETTER FROM THE BOARD

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).

LETTER FROM THE BOARD

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 advice to the Company in respect of the irregular matters identified pursuant to the Listing Rules.

As the Group had been engaging independent third-party logistics services providers in the past and has not experienced any difficulty in obtaining the required logistics services, the CCTs merely provides an additional logistics services provider for the Group.

The Logistics Services Framework Agreement (2023-2026) is non-exclusive in nature and prior to entering into each individual logistics services agreements, request of logistics services notice will be sent to all pre-approved logistics services providers on list as well as VVLJV to obtain the relevant quotation, and at least two quotations from independent third-party logistics services providers will have to be obtained prior to proceeding into selecting the logistics services provider for the relevant logistics services required. In view of the quotation process, for each individual logistics services agreement entered, pricing of the logistics services will be the most favorable price offered to the Group from the quotations received.

The Group will only enter into individual logistics services agreements when the price offered by the VVLJV is the most favorable as compared to other quotations received. As such, the price offered by VVLJV will not be higher than the price offered by other logistics services providers.

When selecting a logistics services provider, the management of the Group will consider, among other things, the experience, quality of services, capacity and competitiveness of pricing terms offered. As disclosed above, taking into consideration the quotation process for each individual logistics services agreement entered, the Group will most likely to enter into contracts with the logistics services provider with the most favorable terms (i.e., price) offered to the Group from the quotations received. Hence, the Group does not have a specific plan or preference as to which logistics services provider will carry out majority of its logistics services during FY2024-2026.

LETTER FROM THE BOARD

5. 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-month period ended 31 December 2022, the unaudited amount of logistics services provided by VVLJV to the Group was approximately RMB130 million, which accounted for approximately 48% of the total logistics services cost of the Group in the PRC during this period. 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.

6. 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 and had been engaging 5 logistics services providers (including VVLJV) for logistics services during the eight-month period ended 31 December 2022. 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 with a term of one year 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.

LETTER FROM THE BOARD

The provision of logistics services by VVLJV under the existing logistics services framework agreement commenced in May 2022 upon obtaining the shareholder approval. As the Group commenced utilizing logistics services provided by VVLJV recently, the Group entered into a framework agreement with a shorter timeframe in assessing the suitability of VVLJV acting as one of the Group's logistics services providers. Taking into account (i) the co-operation between VVLJV between May 2022 and December 2022, VVLJV had been providing the Group with quotations in a timely manner, with terms (including pricing) offered were comparable or better than terms offered by other independent third-party external logistics services providers; and (ii) the Group did not encounter any complaints regarding the services of VVLJV from its customers, the management of the Group considers that VVLJV could be one of the Group's logistics services providers in the long run and would like to renew the existing logistics services framework agreement by entering into the Logistics Services Framework Agreement (2023-2026) with a longer term of three years.

Pursuant to the existing logistics services framework agreement, the scope of logistics services to be provided by VVLJV included (i) raw coal drop and pull; (ii) gangue backfilling; and (iii) clean coal. Due to the relaxation of the relevant COVID-19 border control by relevant government authorities, raw coal drop and pull services would no longer be required. As such, the scope of logistics services to be provided under the Logistics Services Framework Agreement (2023-2026) will only include provision of gangue backfilling and coal products (including delivery of coal products (e.g., clean coal) from coal washing plants or warehouse to designated locations requested by customers) logistics services to the Group.

The terms of the Logistics Services Framework Agreement (2023-2026) were reached after arm's length negotiation between the Group and VVLJV. Taking into consideration (i) the entering into of the Logistics Services Framework Agreement (2023-2026) were in association with the respective ordinary course of business of the Group and VVLJV; (ii) the Logistics Services Framework Agreement (2023-2026) were non-exclusive in nature; and (iii) the Group will only enter into individual logistics services agreements when the price offered by the VVLJV is the most competitive as compared to other quotations received, the Board (excluding the independent non-executive Directors, Mr. Lo, Ms. Yvette Ong, Mr. Rex Lo, Mr. Chris Lo who have material interests in the CCTs and have abstained from voting in the Board meeting and Mr. James Lo, who was appointed as non-executive Director on 17 March 2023) 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.

LETTER FROM THE BOARD

7. 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. James 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.

LETTER FROM THE BOARD

8. SGM

A notice convening the SGM to be held at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 21 April 2023 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road Hong Kong as soon as possible and in any event not less than 48 hours before the time of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

In the interest of all Shareholders' health and safety, particularly in view of the COVID-19 pandemic, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the resolution at the SGM instead of attending the SGM in person, by completing and returning the proxy form attached to this circular.

Please note that the holding of the special general meeting is subject to the development of the COVID-19 pandemic and the requirements or guidelines of the government and/or regulatory authorities. The Company may announce further updates on the special general meeting arrangement on the Company's website at www.mongolia-energy.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk as and when appropriate.

9. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 April 2023 to Friday, 21 April 2023, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong, not later than 4:30 p.m. on Monday, 17 April 2023.

10. RECOMMENDATION

The Directors (excluding the independent non-executive Directors, Mr. Lo, Ms. Yvette Ong, Mr. Rex Lo, Mr. Chris Lo who have material interests in the CCTs and have abstained from voting in the Board meeting and Mr. James Lo, who was appointed as non-executive Director on 17 March 2023) consider 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.

LETTER FROM THE BOARD

11. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

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

LETTER FROM SOMERLEY CAPITAL LIMITED

The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Shareholders in respect of the Logistics Services Framework Agreement (2023-2026).



SOMERLEY CAPITAL LIMITED

20th Floor

China Building

29 Queen's Road Central

Hong Kong

30 March 2023

To: The Independent Shareholders

Dear Sirs or Madam,

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

INTRODUCTION

We refer to our appointment to advise the Independent Shareholders in connection with the Logistics Services Framework Agreement (2023-2026) with VVLJV and the Annual Caps (together, the “**Transactions**”). Details of the aforesaid transactions are set out in the letter from the Board contained in the circular of the Company (the “**Circular**”) to its shareholders dated 30 March 2023, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

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 effective from 1 April 2023 or the date of approval by the Independent Shareholders at the SGM (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.

As at the Latest Practicable Date, 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

LETTER FROM SOMERLEY CAPITAL LIMITED

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 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). We, Somerley Capital Limited, have 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. James 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.

BASIS OF OUR ADVICE

We are not associated or connected with the Company, VVLJV or their respective core connected persons or associates and, accordingly, are considered eligible to give independent advice on the Transactions. In the two years prior to this appointment, we did not have other engagement with the Company or its associates except for having been the independent financial adviser to the Company relating to the continuing connected transactions in relation to the existing logistics services framework agreement and the subsequent supplemental existing logistics services framework agreement entered into with VVLJV, details of which were set out in the Company's announcements of 3 December 2021 and 31 March 2022 and circular dated 26 April 2022. We do not consider the past engagement as independent financial adviser gives rise to any conflict for Somerley Capital Limited to act as the independent financial adviser for the

LETTER FROM SOMERLEY CAPITAL LIMITED

Transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, VVLJV or their respective core connected persons or associates.

In formulating our advice and recommendation, we have reviewed information on the Company, including but not limited to, the Logistics Services Framework Agreement (2023-2026) with VVLJV, annual reports of the Company for each of the years ended 31 March 2020 (“FY2020”) (“2020 Annual Report”), 31 March 2021 (“FY2021”) (“2021 Annual Report”) and 31 March 2022 (“FY2022”) (the “2022 Annual Report”, together with the 2020 Annual Report and the 2021 Annual Report, collectively, the “Annual Reports”), interim report of the Company for the six months ended 30 September 2022 (“1HFY2023”) (the “2023 Interim Report”), and other information contained in the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed by the Directors and management of the Company (collectively, the “Management”), which we have assumed to be true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete in all material aspects up to the date of the SGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group, VVLJV nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Transactions, we have considered the following principal factors and reasons:

1. Information on the parties

Information on the Group

The Company is a public limited liability company incorporated in Bermuda and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in mining and exploration, processing and sale of coal. The principal project of the Group is the coking coal mining project in Khushuut, Khovd Province, Western Mongolia (the “**Khushuut Mine Project**”). During the financial year ended 31 March 2022, approximately 1.8 million tonnes of run-of-mine coal were produced and approximately 1.0 million tonnes of coal, including clean coking coal, raw coal and thermal coal, were sold to the Company’s customers in the PRC and Mongolia.

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Set out below is the Company's financial highlights extracted from the 2021 Annual Report, the 2022 Annual Report and the 2023 Interim Report:

	For the six months ended		For the year ended		
	30 September		31 March		
	2022	2021	2022	2021	2020
	<i>(HK\$'000)</i>	<i>(Restated)</i> <i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(Restated)</i> <i>(HK\$'000)</i>	<i>(Restated)</i> <i>(HK\$'000)</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	1,866,241	941,003	1,562,718	858,417	1,124,996
Gross profit	792,276	429,982	614,752	308,841	479,239
(Loss)/Profit attributable to owners of the Company	(745,949)	48,322	(349,052)	1,795,091	(425,438)

	As at		As at 31 March	
	30 September		2022	
	2022	2021	2022	2021
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(Restated)</i> <i>(HK\$'000)</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	3,479,981	3,620,557	3,620,557	3,537,943
Total liabilities	6,968,834	6,332,949	6,332,949	5,931,780
Capital deficiencies attributable to owners of the Company	(3,488,853)	(2,712,392)	(2,712,392)	(2,393,837)

For each of the year/period as stated above, the Company has only one single business segment which is coal mining. According to the 2021 Annual Report, the Group reported revenue of approximately HK\$858.4 million for FY2021, representing a decrease from approximately HK\$1,125.0 million for the year ended 31 March 2020 (“FY2020”) mainly due to the lower production and sales of coking coal resulting from the on and off border closures between Xinjiang, the PRC and Yarant, Mongolia to combat the spread of the COVID-19. Gross profit of the Group for FY2021 also showed a decline of approximately 35.6% from FY2020. Profit attributable to owners of the Company for FY2021 of approximately HK\$1,795.1 million was reported as compared to loss attributable to owners of the Company for FY2020 of approximately HK\$425.4 million.

As disclosed in the 2022 Annual Report, the Group reported revenue of approximately HK\$1,562.7 million for FY2022, representing an increase of approximately 82.0% from that of FY2021 and this was mainly due to the

LETTER FROM SOMERLEY CAPITAL LIMITED

comparatively weak performance in FY2021 for reasons driving from COVID-19 pandemic. The Group recorded a loss attributable to owners of the Company of approximately HK\$349.1 million for FY2022 comparing with the profit attributable to owners of the Company of approximately HK\$1,795.1 million for FY2021 for main reasons including: (i) decrease in fair value gain on derivative component of convertible notes; and (ii) an impairment loss of approximately HK\$416.8 million on assets relating to the Khushuut Mine Project (the “**Khushuut Mine Assets**”) recognised in FY2022 as compared to a reversal of impairment losses on the Khushuut Mine Assets recognised in FY2021 of approximately HK\$1,121.0 million in FY2021.

As disclosed in the 2023 Interim Report, for the 1HFY2023, revenue of approximately HK\$1,866.2 million was recorded, representing a significant improvement of approximately 98.3% as compared to the restated corresponding six months period ended 30 September 2021 (“**1HFY2022**”). As discussed in the 2022 Interim Report, the significant increase in revenue was principally due to the comparatively weak performance in 1HFY2022. The weaker performance during 1HFY2022 was a result of frequent border closures in both Mongolia and the PRC due to COVID-19. The increase in sales of clean coking coal for 1HFY2023 was principally due to the improvement of the border crossing polices of China and Mongolia, and the Company’s effort to ramp up the coking coal production and sales.

Loss attributable to owners of the Company of approximately HK\$745.9 million was reported for 1HFY2023 as compared to a restated gain of approximately HK\$48.3 million for 1HFY2022, which was mainly due to the (i) increase in fair value loss on derivative component of convertible notes issued by the Company in 1HFY2023; and (ii) an impairment loss for 1HFY2023 as compared to a reversal on impairment loss on the Khushuut Mine Assets reported for 1HFY2022.

Capital deficiencies widened from approximately HK\$2,393.8 million at 31 March 2021 to approximately HK\$2,712.4 million as at 31 March 2022 and further to roughly HK\$3,488.9 million as at 30 September 2022.

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Information on 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. As stated in the letter from the Board of the Circular, to the best knowledge and belief of the Directors, Mr. Guo Changhong and Ms. Zheng Juan are both independent third parties to the Group.

2. Logistics Services Framework Agreement (2023-2026) with VVLJV

2.1 Reasons for and benefits of the Logistics Services Framework Agreement (2023-2026)

As disclosed in the letter from the Board of the Circular, the Group requires logistics service providers to provide logistics services from time to time in the Xinjiang region of the PRC and had been engaging 5 logistics services providers (including VVLJV) for logistics services during the eight-month period ended 31 December 2022. VVLJV has been one of the Group's logistics services providers and the provision of the logistics services by VVLJV to the Group has been governed by the existing logistics services framework agreement entered between the Group and VVLJV with a term of one year which will expire on 31 March 2023.

We understand from the Company that the Group also engages other external logistics services providers for similar services as described under the Logistics Services Framework Agreement (2023-2026) and VVLJV would only be awarded with the contracts if the terms, including (i) VVLJV's capacity meets the Company's requirements; and (ii) the pricing terms offered by VVLJV are the same as, or better than, the terms offered by independent third party logistics services providers.

We have further discussed and understand from the Management that the Group has maintained a smooth and effective relationship with VVLJV since it became one of the logistics services providers of the Company, and the Company is satisfied to continue to have VVLJV as one of the possible logistics services providers of the Company.

As such, in light of:

- (i) the experience of VVLJV in the provision of logistics services in Xinjiang;
- (ii) the necessity of logistics services to facilitate the Group's business operations;

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- (iii) the entering into the Logistics Services Framework Agreement (2023-2026) would benefit the Company's business operations by adding another reliable logistics service provider to its existing service provider list to cater for the growing market demand for its products; and
- (iv) the Group would only engage VVLJV as its service provider if, among other things, its terms, including pricing terms, are on normal commercial terms or better,

we agree with the Directors that the entering into of the Logistics Services Framework Agreement (2023–2026) will allow VVLJV to be a possible additional service provider which would allow flexibility in the Company's choice of service providers in carrying out its ordinary and usual business and is therefore, in the interests the Company and Independent Shareholders as a whole.

2.2 Terms of the Logistics Services Framework Agreement (2023-2026)

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

Services: 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).

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.

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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.

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 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 (2023-2026).

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.

Please refer to the section headed "2. The Logistics Services Framework Agreement (2023–2026)" in the letter from the Board of the Circular for further details of the terms of the Logistics Services Framework Agreement (2023–2026).

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We have discussed and understood from the Management that the procurement of the logistics services has historically been executed by way of obtaining quotations from at least two independent third party logistics service providers from the list of pre-approved logistics service providers maintained by the Group.

We understand from the Management that the Company has entered into similar logistics services agreements with independent third parties for similar services as provided under the existing logistics services framework agreement and the Logistics Services Framework Agreement (2023-2026). As such, we have requested the Company to provide us with, among other things, quotations of 6 sample services transactions with independent third parties in six different months in 2022 (“**Sample Transactions**”) for comparing against transactions entered into during 2022 with VVLJV. We noted from the Sample Transactions that for each month, the Company collected and compared quotations from suppliers which included at least two independent third parties, and then selected and engaged the logistics services provider who offered the lowest price for each route for that month.

We further note from our discussions with the Management that, as described in the section headed “3. *Internal Procedures*” below, the Group would normally select the short-listed service provider with the lowest quoted prices for the service required and in accordance with the internal policy procedures as described, any transactions entered into by the Group with a service provider is required to be reviewed by relevant departments of the Group, to ensure that pricing policies for the service is strictly adhered. We have noted and obtained sample approval documents and noted that the procedures have been adhered to. We were further confirmed by the Management that such policies will continue to be followed in accordance with the internal control policies described in the section headed “3. *Internal procedures*” below.

In view of (i) the entering into of the Logistics Services Framework Agreement (2023-2026) will not make the Group becoming obliged to enter into any transactions with VVLJV, but will allow VVLJV, if they are able to match or exceed the qualifications required for the services being procured, to be available as one of the providers of the services for the selection by the Group when required in order to facilitate the growth of the Group’s businesses; (ii) the benefits to be brought about pursuant to the Logistics Services Framework Agreement (2023-2026) as discussed in the sub-section headed “2.1 *Reasons for and benefits of the Logistics Services Framework Agreement (2023-2026)*” above; and (iii) terms of the transaction(s) under the Logistics Services Framework Agreement (2023-2026) shall be no less favourable to the Group than those offered by the independent third parties, we concur with the view of the Directors that the terms of the Logistics Services Framework Agreement (2023-2026) is fair and reasonable so far as the Company and its shareholders are concerned.

LETTER FROM SOMERLEY CAPITAL LIMITED

2.3 Annual Caps

As stated in the letter from the Board of the Circular, the following table outlines the historical transacted amounts between the Group and VVLJV under the existing logistics services framework agreement:

Financial year	Annual cap (RMB'm)	Actual transacted amount (RMB'm)	Utilisation
1 April 2022 to 31 March 2023 ("FY2023")	131.6	130	99%

As also disclosed in the letter from the Board of the Circular, the Annual Caps in respect of the Logistics Services Framework Agreement (2023-2026) is as follows:

Financial year	Annual Caps (RMB)
1 April 2023 to 31 March 2024 ("FY2024")	292,500,000
1 April 2024 to 31 March 2025 ("FY2025")	365,625,000
1 April 2025 to 31 March 2026 ("FY2026")	457,031,250

Annual Caps in respect of the Logistics Services Framework Agreement (2023-2026) were determined with reference to (i) the historical logistics services transactions' 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.

Based on our discussion with the Management, we understand that the annual cap for FY2023 had almost been fully utilised by 31 December 2022. Given that, as stated in the letter from the Board of the Circular, the actual transacted amounts for FY2023 only represented transactions during period ended 31 December 2022 and if the actual transacted amount of RMB130 million for eight months ended 31 December 2022 was annualised, the annualised transacted amount for FY2023 would amount to approximately RMB195 million (the "**Annualised FY2023 Transaction Amount**"). On such basis, the Annual Cap for FY2024 should therefore represent a growth rate of

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around 50% when compared with the Annualised FY2023 Transaction Amount. Further, it is noted that an embedded annual growth of 25% was used for arriving at the Annual Caps for FY2025 and FY2026 respectively.

In assessing the fairness and reasonableness of the Annual Caps, we have considered the following aspects including:

- (a) *the historical logistics services transaction amounts of the Group in the PRC with reference to the volume of raw coal exported*

We have discussed and understand from the Management that when determining the Annual Caps for each of FY2024, FY2025 and FY2026, the Company has taken into consideration the Group's estimated total demand for logistics services for transportation routes it operates on for the three years ending 31 March 2026 which, in turn, is also correlated with the export volume of raw coal of the Group from its mine in Mongolia to PRC during the period.

Based on the information provided by the Company, the Annual Reports and the 2023 Interim Report, we note that the Group's raw coking coal export volume has grown significantly from around 1,158,600 tonnes for FY2020 to around 2,695,580 tonnes on an annualised basis for FY2023 by annualising the raw coking coal export volume of 1,347,790 tonnes for 1HFY2023, which represents an average year-on-year growth of around 43% between FY2020 and FY2023 (the "**Average Historical Coal Export Growth**").

In addition to the above, we have also reviewed the historical growth of the total demand of the logistics services of the Company between 2019 and 2022 (the "**Average Historical Logistics Growth**") and an average annual growth rate of around 51% on the total transaction amount relating to the procurement of the logistics services by the Company during the aforesaid period was noted.

In view of the high growth rates on the Average Historical Logistics Growth of the Company of around 51% and the Average Historical Coal Export Growth of around 43% respectively, we consider the around 50% growth implied by the Annual Cap for FY2024 over the Annualised FY2023 Transacted Amount, and the subsequent 25% annual growth for the FY2025 and FY2026 Annual Caps, being not unreasonable.

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(b) the estimated demand of logistics services required pursuant to the operation and development of the Group

Based on our discussion with the Company and having reviewed the estimation provided, we are given to understand that the logistics services for coal and related products in the PRC required by the Group are: (i) gangue backfilling transportation services; and (ii) clean coal transportation services. Based on our understanding from the Management, the main logistics services provided under the Logistics Services Framework Agreement (2023-2026) is expected to be mainly relating to the transportation of clean coal to certain clients, their designated sites or transfer station(s) for further despatch and sale of clean coal.

Gangue backfilling transportation services

We have discussed and understand from the Company that the demand for gangue backfilling transportation services is estimated based on 30% of the estimated annual raw coking coal export volume for FY2024, and the prevailing market prices of the transport services involved which will be discussed later in the sub-heading named “(c) the prevailing market prices” below. We understand that demand of such service correlates to the volume of gangue produced which in turn depends on the recovery rate of coal from washing and processing procedures. As disclosed in the Annual Reports, we noted that the average recovery rate from coal processing between FY2020 and FY2022 was between 70.6% to 79.9%, which translates into a historical rate of producing around 20.1% to around 29.4% gangue (the “**Latest Historical Gangue Rate**”). We have discussed and understand from the Management that the washing and processing procedures for coal processing can produce up to 30% of gauge under certain circumstances which are uncontrollable, such as the quality of coking coal mined and under such circumstances recovery rates would be lower and more gangue would be produced. In this respect, given the Latest Historical Gangue Rate and the aforesaid occasional higher rate of producing gangue, we consider such assumption of 30% would not be unreasonable.

Clean coal transportation services

We have discussed and understand from the Management that demand of such services are primarily projected based on relevant clients’ estimated quantity demands of clean coal for FY2024 to FY2026 and the prevailing market prices of the transport services involved for the designated transportation routes. We understand such indication of demand

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provided by the relevant clients are in response to the Company's operating teams' requests and similar communications would be carried out with all clients of the Company in order to facilitate business planning and development. Analysis on the prevailing market prices of such transport services involved will be discussed later in the sub-heading named "(c) the prevailing market prices" below.

(c) the prevailing market prices

Based on our discussion with the Company, we are given to understand that the unit price for respective logistics services in estimating the logistics services demand is generally estimated with reference to market prices regarding similar services entered into between the Company and independent third parties between 2021 and 2022 ("**Recent Unit Prices**").

As disclosed in the letter from the Board, since the pricing for such services is floating and varies from time to time depending on factors such as the availability of drivers, trucks, fuel prices, low or peak seasons, distances, etc., it is impracticable to agree a fixed price or a pre-determined mechanism which may not be in the best interest to the Group. We understand that the Company has assumed the projected unit prices for each of the: (i) gauge backfilling transportation services and (ii) clean coal transportation services provided to key clients, mainly based on the average Recent Unit Prices. In this regard, we have reviewed 5 latest sample contracts entered into between the Company and independent third parties between 2021 and 2022 relating to the corresponding services and noted that, the assumed unit prices for those services are in line with the Recent Unit Prices as disclosed in those sample contracts.

Based on all the factors discussed above, we are of the view that the basis used for determining the Annual Caps to be fair and reasonable.

3. Internal procedures

As disclosed in the letter from the Board, 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 to the Group 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:

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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 to the Group 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. In this regard and as mentioned under the sub-section headed “*2.2 Terms of the Logistics Services Framework Agreement (2023-2026)*” above, we have reviewed the quotations of 6 Samples Transactions in 2022 and we note that the Company collected and compared quotations from logistics services providers which included at least two independent third parties, and then selected and engaged the logistics services provider who offered the lowest price for each route for the month. 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 CCT 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 re-compliance of 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).

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

We consider the requirement to obtain of at least two independent quotes is reasonable for the Company to assess the then prevailing market terms of the similar logistics services offered by independent third parties. As such, we concur with the view of the Directors that the internal control procedures and policies relating to the Logistics Services Framework Agreement (2023-2026) has demonstrated the Group's practices of getting access to market information and having regular assessment on the terms of the Logistics Services Framework Agreement (2023-2026) so as to ensure that the terms offered by VVLJV will be no less favourable to the Group than those prevailing in the market for similar services.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons set out above, we are of the view that that the terms of the Logistics Services Framework Agreement (2023-2026) (including the Annual Caps) are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Logistics Services Framework Agreement (2023-2026) is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Logistics Services Framework Agreement (2023-2026) and the adoption of the respective Annual Caps.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares

Name of Directors	Number of shares				Number of underlying shares		Total interests	Percentage of shareholding	
	Personal interests	Spouse interests	Corporate interests		Personal Interests pursuant to share options	Corporate interests			
Mr. Lo	124,000	43,750	30,151,957	(Note)	1,800,000	602,204,563	(Note)	634,324,270	337.18%
Ms. Yvette Ong	27,250	-	-		1,800,000	-		1,827,250	0.97%
Mr. Lo, Rex Cze Kei	-	-	-		1,500,000	-		1,500,000	0.80%
Mr. Lo, James Cze Chung	-	-	-		500,000	-		500,000	0.27%
Mr. Lo, Chris Cze Wai	-	-	-		1,500,000	-		1,500,000	0.80%
Mr. To Hin Tsun, Gerald	135,000	-	-		500,000	-		635,000	0.34%
Mr. Tang Chi Kei	2,300	-	-		500,000	-		502,300	0.27%
Mr. Tsui Hing Chuen, William JP	12,500	-	-		500,000	-		512,500	0.27%
Mr. Lau Wai Piu	5,030	-	-		500,000	-		505,030	0.27%
Mr. Lee Kee Wai, Frank	-	-	-		500,000	-		500,000	0.27%

Note: Golden Infinity Co., Ltd. (“Golden Infinity”), a company wholly-owned by Mr. Lo.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives and their respective associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Discloseable interests and short positions of substantial shareholders/other persons under the SFO

The register of interests in shares and short positions maintained under section 336 of the SFO showed that as at the Latest Practicable Date, the Company had been notified of the following interests in Shares representing 5% or more of the Company's issued share capital:

Long position and short position of substantial shareholders/other persons in the Shares and/or underlying Shares

Name of Shareholders	<u>Number of shares and/or underlying shares</u>					Percentage of nominal value of issued share capital
	Beneficial/ Personal interests	Spouse interests	Corporate interests	Total interests		
Cheng Yu Tung Family (Holdings) Limited	-	-	2,698,101,424	2,698,101,424	(Note 1)	1,434.2%
Cheng Yu Tung Family (Holdings II) Limited	-	-	2,698,101,424	2,698,101,424	(Note 1)	1,434.2%
Chow Tai Fook (Holding) Limited	-	-	2,698,101,424	2,698,101,424	(Note 1)	1,434.2%
Chow Tai Fook Capital Limited	-	-	2,698,101,424	2,698,101,424	(Note 1)	1,434.2%
Chow Tai Fook Nominee Limited	2,698,101,424	-	-	2,698,101,424	(Notes 1 & 2)	1,434.2%
Ms. Ku Ming Mei, Rouisa	43,750	634,280,520	-	634,324,270	(Note 3)	337.18%
Golden Infinity	632,356,520	-	-	632,356,520		336.13%
Dr. Cheng Kar Shun	-	1,977,500	7,889,250	9,866,750	(Note 4)	5.24%
Ms. Ip Mei Hing	-	7,889,250	1,977,500	9,866,750	(Note 4)	5.24%

Notes:

1. Chow Tai Fook (Holding) Limited held 99.8% interest in Chow Tai Fook Nominee Limited. 81.03% interest of Chow Tai Fook (Holding) Limited was held by Chow Tai Fook Capital Limited in which it was held as to 48.98% by Cheng Yu Tung Family (Holdings) Limited and as to 46.65% by Cheng Yu Tung Family (Holdings II) Limited. By virtue of the SFO, each of Cheng Yu Tung Family (Holdings II) Limited, Cheng Yu Tung Family (Holdings) Limited, Chow Tai Fook Capital Limited and Chow Tai Fook (Holding) Limited was deemed to be interested in 2,698,101,424 shares held by and Chow Tai Fook Nominee Limited.
2. Among 2,698,101,424 shares held by Chow Tai Fook Nominee Limited, 2,692,601,424 shares were underlying shares.
3. Ms. Ku Ming Mei, Rouisa, the spouse of Mr. Lo, was deemed to be interested in 634,280,520 shares owned by Mr. Lo beneficially, under the SFO.
4. Dr. Cheng Kar Shun was interested in the entire issued share capital of Dragon Noble Group Limited (“**Dragon**”). By virtue of the SFO, he was deemed to be interested in 7,889,250 shares held by Dragon and 1,977,500 shares were owned by Ms. Ip Mei Hing (the spouse of Dr. Cheng Kar Shun) through her controlled corporation Brighton Management Limited.

3. DISCLOSURE OF OTHER INTERESTS

(a) Directors’ service contracts

As at the Latest Practicable Date, Mr. Lo had a director service contract with the Company for a fixed term of three years, particulars of which are as follows:

Name	Term	Commencement date	Expiry date	Monthly remuneration	Early termination compensation
Mr. Lo	3 years	1 April 2022	31 March 2025	HK\$500,000	Either party may early terminate the service contract by a compensation equivalent to twelve months’ remuneration

Save as disclosed above, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

(b) Interests in competing business

During the current financial year and up to the date of this circular, to the best knowledge of the Directors, none of the Directors nor their respective associates was considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group.

(c) Directors' interests in contracts and assets

As at the Latest Practicable Date, save and except the Logistics Services Framework Agreement (2023-2026) and the existing logistics framework agreement which is going to expire on 31 March 2023 and entered into between the Company and VVLJV on 3 December 2021 and supplemented on 31 March 2022, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group and none of the Directors had any interest, direct or indirect, in any asset which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened by or against any member of the Group.

5. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 March 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT AND CONSENT

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

Name	Qualification
Somerley Capital Limited (“Somerley”)	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its Letter to Independent Shareholders in the form and context in which it is included and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Somerley did not have any direct or indirect shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, Somerley did not have any direct or indirect interest in any assets which had been, since 31 March 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group.

7. GENERAL

- (a) The Company Secretary of the Company is Mr. Tang Chi Kei. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants.
- (b) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is 17th Floor, 118 Connaught Road West, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road Hong Kong.
- (d) The English texts of this circular, the notice of the SGM and the form of proxy for use at the SGM shall prevail over their respective Chinese texts in case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mongolia-energy.com) from the date of this circular up to and including the date of the SGM:

- (a) the Logistics Services Framework Agreement (2023-2026);
- (b) the letter from the Independent Financial Advisor, the text of which is set out on pages 18 to 32 of this circular;
- (c) the written consent of the expert referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (d) this circular.

NOTICE OF SGM



MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

NOTICE IS HEREBY GIVEN that the special general meeting of Mongolia Energy Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) will be held at 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 21 April 2023 at 11:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the entering into of the logistics services framework agreement dated 3 March 2023 (the “**Agreement**”, which expression shall include any amendment or supplement thereto from time to time) between the Company and 新疆遠見鴻業物流有限公司 in relation to provision of logistics services to the Group for a period up to 31 March 2026 effective from the date of approval by the Independent Shareholders (as defined in the Agreement) at the special general meeting (copy of the Agreement marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) with annual caps amounting to RMB292,500,000, RMB365,625,000 and RMB457,031,250 for the three financial years ending 31 March 2026, upon the terms and subject to the conditions therein contained and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF SGM

(b) the board of the directors of the Company (the “**Board**”) be and is hereby authorised to do all such acts and things, execute and deliver all such documents and take all such steps as it considers necessary, appropriate, desirable or expedient in connection with or to give effect to the Agreement and the transactions contemplated thereunder, and to make or agree to such variations, amendments or waivers as are, in the opinion of the Board, in the interests of the Company.”

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

Hong Kong, 30 March 2023

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
17th Floor,
118 Connaught Road West
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person(s) as his/her proxy to attend and, on a poll, vote instead of him/her. In the case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) at the meeting and vote in its stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Where there are joint holders of any share, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled to vote, but if more than one of such joint holders be present at the meeting in person or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it. Completion and return of the form of proxy shall not preclude a member from attending the meeting and voting in person at the meeting or any adjourned meeting if he/she so desires. If a member attends the meeting after having deposited the form of proxy, his/her form of proxy shall be deemed to have been revoked.

NOTICE OF SGM

4. The register of members will be closed from Tuesday, 18 April 2023 to Friday, 21 April 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the special general meeting, all transfers should be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road Hong Kong, for registration not later than 4:30 p.m. on Monday, 17 April 2023.
5. The resolution sets out in this notice will be voted on by poll.
6. If typhoon signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on the date of the special general meeting, the meeting will be postponed. Details of alternative meeting arrangements will be published on the Company's website (www.mongolia-energy.com) and Hong Kong Exchanges and Clearing Limited's website (<http://www.hkexnews.hk>) in due course.

The special general meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders should make their own decision as to whether they would attend the meeting under the bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

Shareholders who have any queries concerning the alternative meeting arrangements, please call the Customer Service Hotline of Tricor Standard Limited at telephone number (852) 2980 1333 from 9:00 a.m. to 5:00 p.m., Monday to Friday (excluding public holidays).