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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT

RENEWAL OF TENANCY AGREEMENT

CONNECTED TRANSACTION

A wholly-owned subsidiary of the Company renewed the office Tenancy Agreement as tenant on 8 May 2023 with the Landlord for a term of two years at a monthly rent of HK\$291,000 from 8 May 2023 to 7 May 2025.

The Landlord is an investment holding company wholly and beneficially owned by Mr. Lo, who is a connected person of the Company. The Company will recognize the tenancy as a right-of-use asset under HKFRS 16. In this connection, the Tenancy Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios relevant to this transaction are below 5%, the Tenancy Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

The terms of the Tenancy Agreement were reached after arm's length negotiation between the Tenant and the Landlord. The rent payable by the Tenant is in line with the prevailing market rent as advised by a professional property valuer who is an Independent Third Party. The Board (including the independent non-executive Directors but excluding Mr. Lo, Mr. Rex Lo, Mr. Chris Lo and Mr. James Lo who have been abstained from voting in the Board meeting) considers that the Tenancy Agreement was entered into in the ordinary and usual course of business of the Group, and the terms of the Tenancy Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the shareholders of the Company as a whole.

A. THE TENANCY AGREEMENT

1. Background

A wholly-owned subsidiary of the Company renewed the office Tenancy Agreement as tenant on 8 May 2023 with the Landlord for a term of two years. The Office Premises have been used as the principal place of business of the Company in Hong Kong.

2. Principal terms of the Tenancy Agreement

Date

8 May 2023

Parties

Landlord : Cambo Management Limited

Tenant : Mongolia Energy Corporation (HK) Limited, a wholly-owned subsidiary of the Company

Office Premises

Address: 17/F., 118 Connaught Road West, Hong Kong.

Term and commencement date

A term of two years commencing on 8 May 2023 and ending on 7 May 2025.

Rental amount

HK\$291,000 per calendar month (exclusive of rates, government rent, management fees and all other outgoings) payable monthly in advance by the Tenant.

One month's rental and management fee deposit to the Landlord is required under the Tenancy Agreement.

B. REASONS FOR THE TRANSACTION

The Group is principally engaged in the operation of the Khushuut Coal Mine in Mongolia.

The Group has been leasing the office Premises with the Landlord pursuant to the old tenancy agreement which expired on 7 May 2023. To save the Group from relocation expenses and administrative inconvenience, the Group would like to continue to rent the Office Premises and therefore entered into the new Tenancy Agreement with the Landlord. The monthly rent of the Office Premises under the Tenancy Agreement was determined after arm's length negotiations between the Tenant and the Landlord with reference to the prevailing market rent. The rent payable by the Tenant is in line with the prevailing market rent as advised by a professional valuer who is an Independent Third Party.

C. IMPLICATIONS UNDER THE LISTING RULES

1. The Landlord and the Tenant

The Landlord is an investment holding company wholly and beneficially owned by Mr. Lo, who is a substantial shareholder, an executive director and chairman of the

Company. Therefore, Mr. Lo is a connected person of the Company. The Company will recognize the tenancy as a right-of-use asset under HKFRS 16. The Tenancy Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Tenant is a management service company and a wholly-owned subsidiary of the Company.

2. Requirements under the Listing Rules

Pursuant to HKFRS 16, the entering into the Tenancy Agreement as a lessee will require the Group to recognise the right-of-use of the Office Premises of an estimated aggregate value of approximately HK\$6,432,000 on its consolidated statement of financial position. Thus, the entering into the Tenancy Agreement and the transactions contemplated thereunder will be regarded as acquisition of asset by the Group under the Listing Rule. The estimated value of the right-of-use asset is unaudited and may be subject to adjustment in the future.

As Landlord is an investment holding company wholly and beneficially owned by Mr. Lo, who is a substantial shareholder, an executive director, chairman of the Company, and thus a connected person of the Company, the Landlord is therefore also a connected person of the Company under the Listing Rules. Accordingly, the entering into the Tenancy Agreement constitutes connected transactions of the Company. As the applicable percentage ratios relevant to this transaction are below 5%, the entering into the Tenancy Agreement is subject to the reporting and announcement but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

Based on the aforesaid, the Board (including the independent non-executive Directors but excluding Mr. Lo, Mr. Rex Lo, Mr. Chris Lo and Mr. James Lo, as they have material interest in the transaction stipulated in the Tenancy Agreement and have abstained from voting in the Board meeting) considers that the Tenancy Agreement was entered into in the ordinary and usual course of business of the Group, and the terms of the Tenancy Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the shareholders of the Company as a whole.

Save as disclosed and as of the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Directors had any material interest in the Tenancy Agreement and the transaction contemplated thereunder.

D. DEFINITIONS

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

“Board”	the board of Directors
“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)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Independent Third Party”	a third party which, together with its beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, is independent of the Company and its connected persons
“Landlord”	Cambo Management Limited, a company incorporated in Hong Kong with limited liability, and is wholly and beneficially owned by Mr. Lo
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Mr. Chris Lo”	Mr. Lo, Chris Cze Wai, an executive Director of the Company
“Mr. James Lo”	Mr. Lo, James Cze Chung, a non-executive Director of the Company
“Mr. Rex Lo”	Mr. Lo, Rex Cze Kei, an executive Director of the Company
“Office Premises”	Portion of Seventeenth Floor, 118 Connaught Road West, Hong Kong
“percentage ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement entered into between the Tenant and the Landlord on 8 May 2023 in respect

of the Office Premises

“Tenant”

Mongolia Energy Corporation (HK) Limited, a wholly-owned subsidiary of the Company

“%”

per cent

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

Hong Kong, 8 May 2023

As at the date of this announcement, the board of directors of the Company 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. Lo, James Cze Chung as non-executive directors, and Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank as independent non-executive directors.