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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

DISCLOSEABLE TRANSACTION ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that, on 30 December 2021 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell and transfer and the Purchaser agreed to acquire 65% equity interest in the Target Company from the Vendor at a consideration of RMB32,546,000. The Target Company is principally engaged in the AI business of developing and sale of autonomous mobile robots and providing robotics delivery solutions with its self-developed robots.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition contemplated under the Equity Transfer Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 30 December 2021 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell and transfer and the Purchaser agreed to acquire 65% equity interest in the Target Company from the Vendor at a consideration of RMB32,546,000.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

30 December 2021

Parties

- (1) the Purchaser;
- (2) Mr. Liu as the Vendor; and
- (3) the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

The Target Company is being made a party to the Equity Transfer Agreement to acknowledge the sale and transfer of the Equity Interest between the Purchaser and the Vendor under the Acquisition.

Subject Matter

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell and transfer and the Purchaser agreed to acquire the Equity Interest in the Target Company from the Vendor in accordance with the terms and conditions of the Equity Transfer Agreement. As at the date of the Equity Transfer Agreement, Mr. Liu owned 92.885% of the equity interest in the Target Company.

Consideration

The consideration for the Acquisition shall be RMB32,546,000, which was determined after arm's length negotiations between the Purchaser and the Vendor having taken into account the following factors, amongst others: (1) the potential growth and prospect of the of the Target Company considering its latest business and development; (2) the reasons for and benefits of the Acquisition as set out under the section below headed "Reasons for and benefits of the Acquisition"; (3) the expertise and know-how in relation to the autonomous mobile robots owned by the Target Company, and (4) the synergies that can be created through the business collaboration between the Company and the Target Company.

Pursuant to the Equity Transfer Agreement, subject to all conditions precedent to the Acquisition having been fulfilled or waived, the Consideration shall be payable by the Purchaser to the Vendor in the following manner:

- (1) RMB31,546,000 to be settled in cash on the Completion Date; and
- (2) RMB1,000,000 to be settled in cash within six months after the Completion Date.

The registered capital of the Target Company is RMB13,071,900 of which RMB6,343,959 have been paid up as at the date of the Equity Transfer Agreement. It is the obligation on the part of the Vendor to pay up the remaining registered capital in the sum of RMB6,727,941 to the Target Company within 10 working days after Completion.

The Group intends to finance the Consideration through the Group's internal resources.

Conditions Precedent

Completion shall be subject to the following conditions precedent having been satisfied or fulfilled:

- (a) all necessary consents, confirmations, permits, approvals and authorisations required for transferring the Equity Interest from the Vendor to the Purchaser having been granted and/or obtained by the Vendor and/or being available under the PRC laws (collectively, the "**Necessary Approvals**"), and the Necessary Approvals having remained valid and effective, and not being threatened with any revocation, withdrawal, cancellation or suspension at any time prior to Completion;
- (b) documents necessary for the transfer of the Equity Interest: (i) resolutions of the Target Company approving the transfer of the Equity Interest from the Vendor to the Purchaser; (ii) resolutions of the Target Company recognising the Purchaser as the new shareholder in the Target Company; (iii) the entering into the company share register that the Purchaser is the owner of the Equity Interest; (iv) amendments to the articles or bylaws of the Target Company or a new articles or bylaws (if applicable); and (v) the waiver confirmation of the other shareholder of the Target Company waiving her right of first refusal.
- (c) the business of the Target Company having continued without any interruption, and not being threatened with any cessation, termination or suspension at any time prior to and on Completion;
- (d) the Equity Interest being free from any encumbrances and third party rights of any kind;

- (e) the Purchaser having completed due diligence examinations on the legal, commercial, financial, compliance, operational and such other aspects of the business of the Target Company as the Purchaser deems fit, and the results and outcome thereof being reasonably satisfactory to the Purchaser;
- (f) all licences required for the operation and management of the Business (if any) remaining valid and effective;
- (g) the Target Company not being involved in any material litigation, not being insolvent and not having been presented with any winding-up petition or application for receivership;
- (h) the Target Company not having been sued, disciplined or otherwise involved in any labour or employment dispute whatsoever, and no proceedings relating to or originating from any labour or employment dispute are pending, being contemplated, threatened, pursued, conducted or continued against the Target Company; and
- (i) all the representations, warranties and undertakings of or by the Purchaser and the Vendor remaining true and accurate in all respects at all times up to Completion.

The Purchaser may waive any of the conditions precedent as set out above (except the conditions precedent in (a) and (b) above) on or before Completion and the parties to the Equity Transfer Agreement shall use their respective best endeavours to ensure that the conditions precedent shall be fulfilled and/or satisfied as soon as possible after the execution of the Equity Transfer Agreement and before the Completion Date.

Completion

Completion shall take place on the Completion Date when the conditions precedent above are satisfied or waived.

Upon Completion, the Target Company will become an indirect subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statements.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC on 6 July 2016. It has three wholly-owned subsidiaries and the Target Company group are principally engaged in the AI business of developing and sale of autonomous mobile robots and providing robotics delivery solutions with its self-developed robots to its customers in the PRC and Korea.

The Target Company is currently owned as to 92.885% and 7.115% by the Vendor and Ms. Gu respectively. Upon Completion, the equity interest in the Target Company will be owned as to 65%, 27.885% and 7.115% by the Purchaser, Vendor and Ms. Gu respectively. To the best of their knowledge, information and belief, having made all reasonable enquiries, the Vendor and Ms. Gu are third parties independent of the Company and its connected persons.

The following table sets out the audited consolidated financial information of the Target Company group for the two years ended 31 December 2019 and 31 December 2020 (which were prepared in accordance with the PRC Generally Accepted Accounting Principles:

	For the year ended 31 December 2019 (audited) RMB	For the year ended 31 December 2020 (audited) RMB
Revenue	524,757	4,147,335
Net loss before taxation	(4,684,136)	(2,155,013)
Net loss after taxation	(4,684,136)	(2,161,967)

As at 30 September 2021, the unaudited net consolidated asset value of the Target Company group based on the management accounts of the Target Company was approximately RMB1.2 million.

Based on the draft valuation adopting the market comparable approach and conducted by Roma Appraisals Limited, an independent third party valuer, the indicative value of 65% of the Target Company group as at 31 October 2021 was approximately RMB9,900,000.

INFORMATION OF THE PURCHASER

The Purchaser is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Purchaser is an investment holding company.

INFORMATION OF THE VENDOR

As at the date of this announcement, Mr. Liu is the major and largest shareholder of the Target Company who holds 92.885% equity interest in the Target Company.

The Vendor is an expert in artificial intelligence. He is one of the young leaders in the robotics field in China. He was nominated as the influential young leader in the 2019 Global Youth Innovation Conference. He is the convener of the Tsinghua University Young CEO Club (artificial intelligence and robotics industry) and a committee member of the China Specialists of Services and Specialized Robotics Alliance. He was also the winner of the China National Scholarship and the Qihang award of Tsinghua University.

The Vendor obtained master's degrees in business administration and engineering from Tsinghua University and Nanchang University respectively. His research interests are machine learning and robotics. He is the founder of the Target Company, and also the chief executive officer and the chief technical officer of the Target Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group's principal business is coal mining, exploration and the sale of coking coal and thermal coal. Although our Group has a strong team of driven and experienced professionals dedicated to expand our existing business, our reliance on a singular-line of business will be full of restrictions and challenges in the coming future, in particular, under the prevailing global carbon reduction policy, and this will impact the Group's sustainability and development strategies. In this connection, the Group is eager to seize other opportunities to expand and diversify its existing business in the long run.

The Group believes that vast opportunities lie in the realm of technological innovation, which has received governmental support from around the world, including China. Technology permeates every corner of the modern economy and improves quality and productivity in all sorts of sectors of our economy. Countless number of successful technology companies emerge around the world with leading technological innovations, gaining huge market share and bringing generous returns to their investors. In addition, the Board also sees the need to adopt modernised methods on mining to achieve production efficiently. Against this background, the Group has interest to look for investment opportunities on technological related businesses.

With the emergence of the AI era, unmanned delivery robots could undertake and supplement various kind of works such as handling orders and deliveries, freeing people to be engaged in other demanding types of work. Delivery robots have been introduced and become popular in some restaurants and hotels to replace manual power, lifting and improving workflow, reducing operation costs and promoting the application of intelligent management.

The Target Company was founded by the Vendor in Beijing in 2016. It focuses on the development and sale of smart autonomous mobile robot with AI technology and the provision of robotics delivery solutions, aiming to provide robotics solutions for various industrial sectors. The products could help supplement human power on food and parcel delivery, cleaning, security and patrolling and building smart, sustainable and resilient cities.

The Target Company has developed its owned mobile robotics chassis, and based on the self-developed mobile chassis the Target Company developed its product matrix which include "RoboPony" (outdoor self-driving delivery robot), "RoboBat" (indoor mobile patrolling robot). "RoboWhale" (indoor commercial cleaning robot). The robotics products of the Target Company are equipped with technological functions such as perception, navigation planning, autonomous navigation system, motion control, and human-computer interaction. RoboPony is now being used by a food delivery platform to supplement its delivery logistics. These robots use a combination of LIDAR, a detection system which works on the principle of radar, but uses light from a laser, ultrasonic, and radar to ensure safe navigation in indoor and outdoor areas. They use Wifi, 4G and/or 5G to link to the core controller and to communicate with each other during delivery processes. Currently, the Target Company has registered 13 innovation patents including its own ZROS operating system while 8 innovation patents are pending registration.

The Target Company has spent most of the time since its inception in research and development of the robotics related technologies and products. At present, the Target Company is still at an infant stage and has yet to reach the stage of large scale production and marketing of its products. As such, the Target Company had not achieved an outstanding sales record in the past few years. As the Target Company's robots are capable of providing delivery services, cleaning services, outdoors inspection and patrolling services, and with the technologies it possesses, the usages and applications will be numerous. The robotics products of the Target Company are gradually gaining confidence of its customers, including one of the largest food online delivery platforms in South Korea. The Group sees the potential that the business of the Target Company could be further developed and improved and to stretch outside of the PRC and extend its presence across Asia.

The Board believes that the Acquisition in the Target Company will also complement the Group's existing business. The Group may explore the possibility of self-driving vehicles in its mining process or other viable applications after the Acquisition. In addition, the Vendor will continue to stay and be employed in the Target Company after the Acquisition. With a team of young and enthusiastic AI experts in the Target Company, the Board believes that with its management expertise and capital, the Group could immediately tap into this fast growing and promising industry instead of starting one from scratch which may be time consuming and costly.

Based on the above and notwithstanding the value indication by the independent valuer, the Board consider that the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable, which are on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the Acquisition calculated in accordance with the Listing Rules exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements but is exempt from the circular and Shareholders' approval requirements, under the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Equity Interest by the Purchaser from the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement;
“AI”	artificial intelligence;
“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;
“Completion”	the completion of the sale and purchase of the Equity Interest in accordance with the Equity Transfer Agreement;
“Completion Date”	within 14 days from the date of the Equity Transfer Agreement or such other date as agreed between the Vendor and the Purchaser;
“Consideration”	the total consideration of the Acquisition, being RMB32,546,000;
“Director(s)”	the director(s) of the Company;
“Equity Transfer Agreement”	the agreement for the sale and purchase of the Equity Interest dated 30 December 2021 and entered into between the Purchaser, the Vendor and the Target Company in relation to the sale and purchase of the Equity Interest of the Target Company;
“Equity Interest”	65% equity interest in the Target Company;
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Mr. Liu”	Liu Zhiyong (劉智勇), major shareholder and founder of the Target Company;
“Ms. Gu”	顧夏萌, the other shareholder of the Target Company;
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan;

“Purchaser”	樺中(北京)科技有限公司, a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Target Company”	北京真機智能科技有限公司 (ZhenRobotics), a company incorporated under the laws of the PRC on 6 July 2016;
“Target Company group”	the Target Company and three of its wholly-owned subsidiaries;
“Vendor”	Mr. Liu;
“%”	per cent.

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

Hong Kong, 30 December 2021

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