

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

CONTINUING CONNECTED TRANSACTIONS

On 15 August 2023, Energy Resources, an indirect wholly-owned subsidiary of the Company, entered into the Supply and Service Agreement with Top Motors, whereby Top Motors agreed to supply (i) light vehicles; (ii) spare parts for light vehicles; and (iii) related maintenance services to the Group from 1 September 2023 to 31 August 2026, for an aggregate consideration of up to MNT20,049,564,655 (equivalent to approximately US\$5,777,073).

LISTING RULES IMPLICATIONS

Top Motors is a wholly-owned subsidiary of MCS Holding which is in turn wholly-owned and controlled by MCS Mongolia LLC. MCS Mongolia LLC directly holds 100% shareholding interest in MCS Mining Group LLC, a substantial Shareholder holding approximately 31.03% of the issued share capital of the Company as at the date of this announcement. As such, Top Motors is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the Supply and Service Agreement constitute continuing connected transactions of the Company.

As the highest percentage ratio for the annual caps for the continuing connected transactions under the Supply and Service Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Supply and Service Agreement are subject to the reporting, announcement and annual review requirements, but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Prior to entering into of the Supply and Service Agreement, the Parties have entered into certain agreements of similar nature for the years from 2021 to 2023 (the "**Former Agreements**"), and upon the execution of the Supply and Service Agreement, all outstanding Former Agreements shall be terminated.

SUPPLY AND SERVICE AGREEMENT

Date:

15 August 2023

Parties:

Energy Resources as purchaser

Top Motors as supplier and service provider

Principal terms:

Pursuant to the Supply and Service Agreement, Top Motors agreed to supply the following assets and services to the Group's Ulaanbaatar office and operational sites:

- light vehicles;
- spare parts for light vehicles; and
- related maintenance services.

Consideration:

The maximum aggregate consideration payable by Energy Resources to Top Motors under the Supply and Service Agreement is MNT20,049,564,655 (equivalent to approximately USD5,777,073) inclusive of VAT, other applicable taxes and all other costs associated with the services to be provided by Top Motors.

The above consideration was determined after arm's length negotiation between Energy Resources and Top Motors taking into account the proposed unit price of the light vehicles, unit rates of the spare parts for light vehicles and related maintenance services and the location where related maintenance services are to be provided and the fee quotation and costs structure of the services to be provided as set out in the bid proposal submitted by Top Motors.

Payment terms:

Invoices will be issued on a monthly basis in respect of transaction amounts incurred for that month, and Energy Resources is required to settle the payment within 45 days upon receipt of a valid invoice from Top Motors.

Historical transaction amounts:

Historical transaction amounts incurred by the Group under the Former Agreements for the two years ended 31 December 2022 are as follows:

Financial year ended	Transaction amount	Period covered
31 December 2021	USD3,706	2 months from 1 November 2021 to 31 December 2021
31 December 2022	USD317,620	12 months from 1 January 2022 to 31 December 2022

Based on the unaudited management accounts of the Group, the transaction amount incurred under the Former Agreements for the period from 1 January 2023 to 31 July 2023 amounted to USD243,421.

Annual caps:

The following table sets out the proposed annual caps to be incurred under the Supply and Service Agreement for the periods from 1 September 2023 to 31 August 2026:

Financial year ending	Annual caps	Period covered
31 December 2023	MNT2,055,000,000 (equivalent to approximately USD592,127)	4 months from 1 September 2023 to 31 December 2023
31 December 2024	MNT6,679,461,746 (equivalent to approximately USD1,924,617)	12 months from 1 January 2024 to 31 December 2024
31 December 2025	MNT6,679,461,746 (equivalent to approximately USD1,924,617)	12 months from 1 January 2025 to 31 December 2025
31 December 2026	MNT4,635,641,164 (equivalent to approximately USD1,335,712)	8 months from 1 January 2026 to 31 August 2026
Total	MNT20,049,564,655 (equivalent to approximately USD5,777,073)	–

The annual caps were determined with reference to the Company's internal projection of the number of services required having regard to (i) historical transaction amounts of light vehicles, spare parts for light vehicles and related maintenance services; (ii) anticipated increase in the Group's demand for maintenance services and spare parts for light vehicles in line with the respective plan; (iii) increase of the scope of supplies and services compared to the prior years; (iv) the bid proposal submitted by Top Motors; (v) increase in inflation, exchange rate and official price of Toyota dealer; and (vi) probable contingencies.

Term of the services:

The Supply and Service Agreement will be effective for the period starting from 1 September 2023 until 31 August 2026.

Reasons for the transaction:

In order to select the contractor to supply light vehicles, spare parts for light vehicles and related maintenance services for the period from 2023 to 2026, the Company organised and conducted a competitive bidding process. The Company invited all authorised Toyota dealer companies in Mongolia (namely, Munkhada LLC, Tavan Bogd LLC and Top Motors) that are locally recognised and experienced companies providing the supply of light vehicles, spare parts for light vehicles and related maintenance services to participate in the bidding process. Out of the three invitees, only Top Motors submitted its bid proposal within the due date.

The bid proposal was evaluated in detail with reference to the overall scope of services offered, financial capability, technical proposal and commercial proposal.

Top Motors was selected as the successful bidder who can provide reliable services that meet safety standards and requirements for mining operation at a competitive price while incorporating international standards, service methods and offering cost-effective solutions; and was evaluated as more favourable than of the other dealers.

INFORMATION ON THE GROUP

The Company is principally engaged in mining, processing and transportation and sale of coking coal products in Mongolia.

Energy Resources, an indirect wholly-owned subsidiary of the Company, is principally engaged in the operation of the UHG and BN mine sites in Umnugobi, Mongolia.

INFORMATION ON TOP MOTORS

Top Motors, a wholly-owned subsidiary of MCS Holding, is an authorised dealer of the world-leading automobile manufacturer “Toyota Motor Corporation” and is principally engaged in provision of maintenance and repair services, and sales of Toyota vehicles and auto spare parts in Mongolia.

MCS Holding is wholly-owned and controlled by MCS Mongolia LLC, which directly holds 100% shareholding interest in MCS Mining Group LLC, a substantial Shareholder holding 31.03% of the issued share capital of the Company as at the date of this announcement. MCS Mongolia LLC is owned as to 58.02% by Mr. Odjargal Jambaljamts (a Director), and approximately 30.58% by Mr. Od Jambaljamts (a Director).

LISTING RULES IMPLICATIONS

Top Motors is a wholly-owned subsidiary of MCS Holding which is in turn wholly-owned and controlled by MCS Mongolia LLC. MCS Mongolia LLC directly holds 100% shareholding interest in MCS Mining Group LLC, a substantial Shareholder holding approximately 31.03% of the issued share capital of the Company as at the date of this announcement. As such, Top Motors is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the Supply and Service Agreement constitute continuing connected transactions of the Company.

As the highest percentage ratio for the annual caps for the continuing connected transactions under the Supply and Service Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Supply and Service Agreement are subject to the reporting, announcement and annual review requirements, but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Each of Mr. Odjargal Jambaljamts, Mr. Od Jambaljamts and Ms. Enkhtuvshin Gombo, being a Director and a director of MCS Holding, was deemed to have material interest in the transactions contemplated under the Supply and Service Agreement and therefore has abstained from voting on the relevant resolutions of the Board in relation to the approval of the Supply and Service Agreement and the relevant annual caps.

BENEFITS OF THE TRANSACTIONS

The Board (including the independent non-executive Directors) is of the view that the terms of the continuing connected transactions contemplated under the Supply and Service Agreement are fair and reasonable; such continuing connected transactions are on normal commercial term or better and in the ordinary and usual course of business of the Group; the entering into of the continuing connected transactions contemplated under the Supply and Service Agreement is in the interests of the Company and the Shareholders as a whole; and that the relevant annual caps for the continuing connected transactions contemplated under the Supply and Service Agreement are fair and reasonable.

DEFINITIONS

“BN”	the Group's Baruun Naran coal deposit located in the Khankhongor soum, Umnugobi aimag;
“Board”	the board of Directors;
“Company”	Mongolian Mining Corporation (stock code: 975), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited;
“connected person”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Energy Resources”	Energy Resources LLC, a company incorporated in Mongolia with limited liability, an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“MCS Holding”	MCS Holding LLC, a company incorporated in Mongolia with limited liability;
“MNT”	togrog or tugrik, the lawful currency of Mongolia;
“Parties”	both Energy Resources and Top Motors;
“Share(s)”	ordinary share of USD0.1 each in the share capital of the Company;
“Shareholder(s)”	the registered holders of the Shares;
“Supply and Service Agreement”	the Supply and Service Agreement between Top Motors and Energy Resources dated 15 August 2023 in relation to the supply of light vehicles, spare parts for light vehicles and related maintenance services by Top Motors to the Group;
“Top Motors”	Top Motors LLC, a company incorporated in Mongolia with limited liability, a wholly-owned subsidiary of MCS Holding;
“UHG”	the Group’s Ukhaa Khudag coal deposit located in the Tavan Tolgoi coalfield;
“USD”	United States Dollar, the lawful currency of the United States of America;
“VAT”	value added tax; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of USD1.00 = MNT3,470.54, has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or at any other rates.

For and on behalf of the Board
Mongolian Mining Corporation
Odjargal Jambaljamts
Chairman

Hong Kong, 15 August 2023

As at the date of this announcement, the board of directors of the Company consists of Mr. Odjargal Jambaljamts and Dr. Battengel Gotov, being the executive directors of the Company, Mr. Od Jambaljamts, Ms. Enkhtuvshin Gombo and Mr. Myagmarjav Ganbyamba, being the non-executive directors of the Company, and Dr. Khashchuluun Chuluundorj, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius, being the independent non-executive directors of the Company.