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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

### **DISCLOSEABLE TRANSACTION**

### **CONSTRUCTION OF NEW TRUCK GARAGE AND OTHER BUILDINGS AT THE KHUSHUUT COAL MINE**

#### **Construction Contract**

On 16 July 2024, MoEnCo entered into the Construction Contract with the Contractor for the construction of a new truck garage and other buildings located at the Khushuut Coal Mine at the total consideration of MNT 3,816,456,215 (equivalent to approximately US\$1,130,467 or HK\$8,817,643).

#### **Implication under the Listing Rules**

As the highest applicable percentage ratio (as defined under the Listing Rules) for the Construction Contract is more than 5% but less than 25%, the entering into of the Construction Contract constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **Construction Contract**

The Board is pleased to announce that on 16 July 2024, MoEnCo entered into the Construction Contract with the Contractor for the construction of a new truck garage and other buildings located at the Khushuut Coal Mine at the consideration of MNT 3,816,456,215 (equivalent to approximately US\$1,130,467 or HK\$8,817,643).

The principal terms of the Construction Contract are set out as follows:

- Date: 16 July 2024
- Parties: (1) MoEnCo, as the client; and  
(2) Khushig Uul LLC, as the contractor

## **Scope of work**

Pursuant to the Construction Contract, the Contractor is responsible for the construction of a new truck garage and other buildings comprising a truck garage for 18 units of truck (including ground hardening works around the garage), an employee dining hall, a car wash building, and toilet and shower facilities for employees at a new location of the Khushuut Coal Mine.

The Contractor shall be responsible for the construction work including the provision of all materials, equipment, tools, machinery and labour. It shall perform all services and effort necessary to complete the construction, testing, inspection, technical and state commissioning and acceptance of the construction work in respect of the truck garage and other buildings in full compliance with applicable Mongolia laws and regulations, construction standards, approved design drawing, and other requirements stated in the Construction Contract.

## **Construction Period**

The Contractor shall commence the construction work on 16 July 2024 and shall fully complete the Construction within 180 calendar days from the date of commencement. The Contractor shall provide weekly progress update to the Client after the Construction Contract has become effective.

## **Performance guarantee**

The Contractor shall pay 5% of the total contract price to MoEnCo within 7 days after the Construction Contract is executed by the parties as a performance guarantee.

The performance guarantee shall be returned to the Contractor within 10 days after the full completion of the truck garage and other buildings and commissioning of use by the respective Mongolian authorities.

## **Consideration**

The total consideration payable by MoEnCo to the Contractor under the Construction Contract is MNT 3,816,456,215 (equivalent to approximately US\$1,130,467 or HK\$8,817,643) which shall be payable in the following manner:

- a) 15% of the total contract price shall be paid within 10 working days upon the receipt of the performance guarantee and also after the receipt of the down payment invoice together with e-tax invoice from the Contractor;
- b) 35% of the total contract price shall be paid within 10 working days after the receipt of the Contractor's invoice and the original confirmation in written form, which is signed and approved by the parties, certifying that the concrete foundation and floor works are fully completed with high quality and the steel structure materials have been arrived on site;

- c) 10% of the total contract price shall be paid within 10 working days after the receipt of the Contractor's invoice, e-tax invoice and the original confirmation in written form, which is signed and approved by the parties, certifying that the steel frame structure and sandwich panel works are fully completed;
- d) 15% of the total contract price shall be paid within 10 working days after the receipt of the Contractor's invoice, e-tax invoice and the original confirmation in written form, which is signed and approved by the parties, certifying that the water supply, electricity, heating and interior works are fully completed;
- e) 10% of the total contract price shall be paid within 30 calendar days upon the receipt of the Contractor's invoice and e-tax invoice after all the work of the truck garage and other buildings under the Construction Contract is fully completed and a note of acceptance is signed by MoEnCo;
- f) 10% of the total contract price shall be paid within 30 calendar days upon the receipt of the Contractor's invoice and e-tax invoice after a note of acceptance is signed by the State commission and received by MoEnCo; and
- g) Retention: upon completion of the warranty period of 48 months, with no defect and consequential work issue to be followed up and no deduction of the contract amount by MoEnCo is required, the retention of 5% of the total contract price shall be released within 30 calendar days upon receipt of the approved invoice.

The Contractor was selected through an open tender in which four bidders including the Contractor submitted their bids for our consideration. MoEnCo assessed the suitability of the contractors in various aspects including technical evaluation, legal and financial aspects and the commercial terms offered. The Contractor was most competitive in various aspects of assessment and its bid was the lowest among the bidders. Furthermore, MoEnCo engaged in rounds of negotiation with the finalists in which the Contractor was selected.

The total consideration was determined via open tender and after arm's length negotiations between MoEnCo and the Contractor, and will be settled by the Group by way of internal resources.

#### **Information on the Contractor**

The Contractor is a company incorporated in Mongolia with limited liabilities and is principally engaged in the provision of construction services. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Contractor and its ultimate beneficial owner are Independent Third Parties.

#### **Information of MoEnCo**

MoEnCo is an indirect wholly-owned subsidiary of the Company which operates the

Khushuut Coal Mine in Mongolia. The Khushuut Coal Mine is located approximately 1,350 km west of Ulaanbaatar in the Khovd Province of Western Mongolia. It is about 311 km from the Xinjiang Takeshiken border, connecting by the Khushuut Road built by the Group.

### **Reasons for and benefits of the Construction and entering into the Construction Contract**

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, MoEnCo, 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 PRC and Mongolia.

Based on our mining plan in the Khushuut Coal Mine, MoEnCo will use the present office and administration areas as soil dumping site in or around 2025 to 2026. Accordingly, MoEnCo is required to relocate the existing office and ancillary facilities by the end of 2025 to new areas within the mine site, and to construct, among others, the new office administration buildings, industrial office building and a series of supporting facilities in the new areas.

The relocation of the existing office and administration area could shorten the distances for soil dumping and export shipping; hence, maximizing the economic benefits from the cost perspective on coal production.

The truck garage and other buildings under the Construction Contract is only part of the office relocation plan. MoEnCo is also planning a new office district in the mine site including building a new office administration building, material warehouse, hazardous chemical warehouse, on-site laboratory, security office, and to carry out road improvement, heating and sewage pipeline networks, etc. The Company will follow the requirements of the Listing Rules and make relevant announcement as and when necessary, when carrying out these works under the office relocation plan.

Given (i) the Contractor was selected through an open tender in which four bidders including the Contractor submitted their bids for our consideration; (ii) the total consideration payable under the Construction Contract was determined via open tender and after arm's length negotiations between MoEnCo and the Contractor; and (iii) the need for relocation of supporting facilities to new areas within the mine site in order to continue carrying out the mining plan, the Board considers that the terms of the Construction Contract are on normal commercial terms, fair and reasonable and the entering into of the Construction Contract and the respective transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

### **Implication of the Listing Rules**

As the highest applicable percentage ratio (as defined under the Listing Rules) for the Construction Contract is more than 5% but less than 25%, the entering into of the

Construction Contract constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms 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 meaning ascribed thereto in the Listing Rules
“Construction”	the construction of a new truck garage and other buildings comprise a truck garage (including ground hardening works around the garage), an employee dining hall, a car wash building, and toilet and shower facilities for employees by the Contractor at the Khushuut Coal Mine
“Construction Contract”	the construction contract dated 16 July 2024 and entered into between MoEnCo and the Contractor in relation to the Construction
“Contractor”	Khushig Uul LLC, a company incorporated in Mongolia with limited liabilities with Mongolia company registration number 5300894, the contractor to the Construction Contract
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Khushuut Coal Mine”	our coal mine which is located approximately 1,350 km west of Ulaanbaatar in Khovd province of Western Mongolia.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MNT”	Mongolian Tugrik, the lawful currency of Mongolia
“MoEnCo” or “Client”	MoEnCo LLC, an indirect wholly-owned subsidiary of the Company in Mongolia. MoEnCo is also the client for the purpose of the Construction Contract
“percentage ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Shares of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

*For the purposes of illustration only,*

- (i) *amounts denominated in MNT in this announcement have been converted into US\$ at the rate of MNT1.00 = US\$0.000296*
- (ii) *amounts denominated in US in this announcement have been converted into HK\$ at the rate of US\$1.00 = HK\$7.8*

*Such conversion should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.*

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

Hong Kong, 16 July 2024

*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. 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.*