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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

### **ANNOUNCEMENT**

#### **RENEWAL OF TENANCY AGREEMENT**

#### **CONTINUING CONNECTED TRANSACTION**

A wholly-owned subsidiary of the Company renewed the office Tenancy Agreement as tenant on 8 May 2019 with the Landlord for a term of two years at a monthly rent of HK\$355,250 from 8 May 2019 to 7 May 2021.

The Landlord is an investment holding company wholly and beneficially owned by Mr. Lo, who is a connected person of the Company. In this connection, the Tenancy Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios relevant to this transaction exceed 0.1% but are below 5%, the Tenancy Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The terms of the Tenancy Agreement were reached after arm's length negotiation between the Group and the Landlord. The rent payable by the Group is in line with the prevailing market rent according to the valuation of a professional property valuer who is an Independent Third Party. The Board (including the independent non-executive Directors but excluding Mr. Lo and Mr. Rex Lo who have been abstained from voting in the Board meeting) consider 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 2019 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 2019

### *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 2019 and ending on 7 May 2021.

### *Rental amount*

HK\$355,250 per calendar month (exclusive of rates, government rent, management fees and all other outgoings) payable monthly in advance by the Company.

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

## **B. Historical transaction amounts and annual caps**

### **1. Historical transaction amounts**

Set out below are the historical transaction amounts in respect of the lease of the Office Premises for the period from 8 May 2017 to 31 March 2018, the year from 1 April 2018 to 31 March 2019, and the period from 1 April to 7 May 2019:

	<b>For the period from 8 May 2017 to 31 March 2018</b>	<b>For the year ended 31 March 2019</b>	<b>For the period from 1 April to 7 May 2019</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Transaction amounts	<u>3,661,071</u>	<u>4,077,600</u>	<u>416,529</u>

## 2. Annual Caps

The Annual Caps of rent in respect of the lease of the Office Premises for the period from 8 May 2019 to 31 March 2020, the year from 1 April 2020 to 31 March 2021 and the period from 1 April to 7 May 2021 are set out below:

	<b>For the period from 8 May 2019 to 31 March 2020</b>	<b>For the year ending 31 March 2021</b>	<b>For the period from 1 April to 7 May 2021</b>
	HK\$	HK\$	HK\$
Annual Caps	<u>3,827,532</u>	<u>4,263,000</u>	<u>435,468</u>

The Annual Caps have been determined based on the terms of the Tenancy Agreement taking into account the prevailing market rent according to the valuation of a professional property valuer who is an Independent Third Party.

### C. REASONS FOR THE TRANSACTION

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

The old tenancy agreement for the Office Premises expired on 7 May 2019. To renew the tenancy would save the Group from relocation expenses and administrative inconvenience. The monthly rent of the Office Premises under the Tenancy Agreement was determined after arm's length negotiations between the Group and the Landlord with reference to the prevailing market rent. The rent payable by the Group is in line with the prevailing market rent according to the valuation by Roma Appraisals Limited, an independent professional property valuer who is an Independent Third Party.

Based on the aforesaid, the Board (including the independent non-executive Directors but excluding Mr. Lo and Mr. Rex 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.

### D. IMPLICATIONS UNDER THE LISTING RULES

#### 1. The Landlord

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, and the father of Mr. Rex Lo. Therefore, Mr. Lo is a connected person and the Tenancy Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

## 2. Requirements under the Listing Rules

As the applicable percentage ratios relevant to this transaction exceed 0.1% but are below 5%, the Tenancy Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### E. DEFINITIONS

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

<b>“Annual Caps”</b>	The annual caps of rent in respect of the Office Premises for the period from 8 May 2019 to 31 March 2020, the year from 1 April 2020 to 31 March 2021 and the period from 1 April to 7 May 2021
<b>“Board”</b>	the board of Directors
<b>“Company”</b>	Mongolia Energy Corporation Limited, a company incorporated in Bermuda with limited liability whose issued shares are listed on the Stock Exchange
<b>“connected person(s)”</b>	has the same meaning ascribed thereto under the Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK” or “Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Independent Third Party”</b>	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
<b>“Landlord”</b>	Cambo Management Limited, a company incorporated in Hong Kong with limited liability, and is wholly and beneficially owned by Mr. Lo
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange

<b>“Mr. Lo”</b>	Mr. Lo Lin Shing, Simon, a substantial shareholder, an executive Director, the chairman of the Company and the father of Mr. Rex Lo
<b>“Mr. Rex Lo”</b>	Mr. Lo, Rex Cze Kei, an executive Director of the Company and the son of Mr. Lo
<b>“Office Premises”</b>	Portion of Seventeenth Floor, 118 Connaught Road West, Hong Kong
<b>“percentage ratios”</b>	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Tenancy Agreement”</b>	the tenancy agreement entered into between the Tenant and the Landlord on 8 May 2019 in respect of the Office Premises
<b>“Tenant”</b>	Mongolia Energy Corporation (HK) Limited, a wholly-owned subsidiary of the Company
<b>“%”</b>	per cent

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

Hong Kong, 8 May 2019

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