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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

### **ANNOUNCEMENT**

#### **ISSUE OF NEW SHARES UNDER GENERAL MANDATE**

On 2 December 2015, after trading hours, the Company and the Subsidiary entered into the LDV Subscription Agreement and the RT Subscription Agreement with each of the Subscribers respectively. Pursuant to the Subscription Agreements, the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 33,298,239 Subscription Shares to them in total at the Subscription Price of HK\$0.203 per Subscription Share.

The Subscription Shares represent (i) approximately 1.91% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.87% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming there will be no change in the issued share capital of the Company between the date of the Subscription Agreements and Completion save for the issue of the Subscription Shares).

The aggregate Subscription Price for all the Subscription Shares in the sum of HK\$6,759,542.72 is equivalent to the approximate amount of the Debts, i.e. US\$872,199.06, being the outstanding contractual amount due and owing by the Subsidiary to the Subscribers under their respective contracts relating to mining services and the Khushuut Road maintenance works rendered by the Subscribers to the Subsidiary. The Subscription Price shall be used to repay and settle the Debts. The Subscription Shares will be allotted and issued pursuant to the General Mandate.

Completion of the Subscriptions is conditional upon, among others, (i) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Subscription Shares; and (ii) receipt of the Mongolian legal opinions to the satisfaction of the Company that the respective Subscription Agreements have been validly executed by the Subscribers and the acceptance of the Subscription Shares by the Subscribers constitutes a valid set-off of the relevant service fees due by the Subsidiary to the Subscribers under their respective service contracts.

**Shareholders and potential investors should note that Completion of the Subscriptions is subject to fulfillment of the conditions under the respective Subscription Agreements. As the Subscriptions may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **A. THE SUBSCRIPTION AGREEMENTS**

### **The LDV Subscription Agreement**

#### ***Date***

2 December 2015 (after trading hours)

#### ***Parties***

Issuer: The Company

LDV Subscriber: Shin Jian Lu Di Van LLC

Subsidiary: MoEnCo LLC, an indirect wholly-owned subsidiary of the Company

#### ***The LDV Subscription***

Pursuant to the LDV Subscription Agreement, the LDV Subscriber has conditionally agreed to subscribe 24,911,083 LDV Subscription Shares at HK\$0.203 per Subscription Share, representing approximately 1.43% of the issued share capital of the Company as at the date of this announcement, and approximately 1.41% of the issued share capital as enlarged by the issue of the LDV Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of the LDV Subscription Agreement and the LDV Completion save for the issue of the LDV Subscription Shares).

#### ***The LDV Subscriber***

The LDV Subscriber is a company incorporated in Mongolia with limited liability. The LDV Subscriber is principally engaged in the provision of mining excavation and greenery services.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the LDV Subscriber and its associates are Independent Third Parties.

### **The RT Subscription Agreement**

#### ***Date***

2 December 2015 (after trading hours)

#### ***Parties***

Issuer: The Company

RT Subscriber: Road Trade LLC

Subsidiary: MoEnCo LLC

### ***The RT Subscription***

Pursuant to the RT Subscription Agreement, the RT Subscriber has conditionally agreed to subscribe 8,387,156 RT Subscription Shares at HK\$0.203 per Subscription Share, representing approximately 0.48% of the issued share capital of the Company as at the date of this announcement, and approximately 0.48% of the issued share capital as enlarged by the issue of the RT Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of the RT Subscription Agreement and RT Completion save for the issue of the RT Subscription Shares).

### ***The RT Subscriber***

The RT Subscriber is a company incorporated in Mongolia with limited liability. The RT Subscriber is principally engaged in the provision of road repair and foreign trade services.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the RT Subscriber and its associates are Independent Third Parties.

### **The Subscription Price**

The Subscription Price of the Subscription Shares under the Subscription Agreements is the same. The Subscription Price of HK\$0.203 per Subscription Share represents:

- (i) a premium of approximately 1.5% to the closing price of HK\$0.200 per Share as quoted on the Stock Exchange on 2 December 2015, being the date of the Subscription Agreements; and
- (ii) the average closing price of HK\$0.203 per Share as quoted on the Stock Exchange for the last five trading days up to and including 1 December 2015, being the last trading day immediately prior to the date of the Subscription Agreements.

The Subscription Price of HK\$0.203 per Subscription Share was determined on arm's length basis between the Company and the respective Subscribers based on current market conditions and the prevailing market price of the Shares.

### **The Subscription Shares and Their Ranking**

The Subscription Shares will be issued and fully paid up, and rank pari passu in all respects among themselves and with the existing Shares in issue, including as to the right to receive all dividends and distributions which may be declared made or paid after the Completion Date and will be issued free and clear of all liens, encumbrances, equities or other third party rights.

### **Conditions of the Subscriptions**

The Completion of the Subscriptions under the respective Subscription Agreements is conditional upon:-

- (i) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Subscription Shares;

- (ii) receipt of the Mongolian legal opinions to the satisfaction of the Company that the Subscription Agreements have been validly executed by the respective Subscribers and the acceptance of the Subscription Shares by the Subscribers constitutes a valid set-off of the their relevant service fees due by the Subsidiary to the Subscribers under their respective services agreements; and
- (iii) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Subscription Agreements and any of the transaction contemplated thereunder.

Unless the foregoing conditions are waived (other than conditions (i) and (ii) above), the conditions have to be fulfilled within one month from the date of the Subscription Agreements (or such later date as may be agreed between the Company and the relevant Subscribers); otherwise, the Subscription Agreements shall terminate and none of the parties to the Subscription Agreements shall have any claim against the others for any costs or losses (save for any prior breaches of the Subscription Agreements).

The Subscriber may designate its nominee(s) who shall also be an Independent Third Party (Parties) to take up the Subscription Shares.

### **General Mandate**

The Subscription Shares will be allotted and issued under the General Mandate granted to the Board at the annual general meeting of the Company held on 21 August 2015. Under the General Mandate, the Directors are authorized to allot and issue up to 345,968,063 new Shares. Up to the date of this announcement, 14,449,760 Shares have been issued under the General Mandate and the Subscription Shares will be issued upon Completion by the General Mandate.

### **Completion of the Subscriptions**

Completion of the Subscriptions will take place no later than the second Business Day after the date on which the conditions in respect of the Subscriptions under the respective Subscription Agreements have been fulfilled or such other date as the Company and the respective Subscribers may agree.

Completion of the LDV Subscription Agreement and the RT Subscription Agreement is not inter-conditional upon each other.

## **B. APPLICATION FOR LISTING**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

## **C. EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY**

The shareholding structures of the Company as at the date of this announcement and immediately after the Completion of the Subscriptions are as follows (assuming there will not be any change in the issued share capital of the Company from the date of the

Subscription Agreements to the Completion Date save for the allotment and issue of the Subscription Shares):

Names of Shareholders	As at the date of this announcement		Immediately after Completion of the LDV Subscription only		Immediately after Completion of the RT Subscription only		Immediately after Completion of the LDV and RT Subscriptions	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Golden Infinity Co., Ltd. ("Golden Infinity") and its associates (Note 1)	303,197,075	17.38	303,197,075	17.14	303,197,075	<b>17.30</b>	303,197,075	17.06
Other directors of the Group (Note 2)	1,820,800	0.11	1,820,800	0.10	1,820,800	0.10	1,820,800	0.10
LDV Subscriber	-	-	24,911,083	1.41	-	-	24,911,083	1.40
RT Subscriber	-	-	-	-	8,387,156	0.48	8,387,156	0.47
Other public Shareholders	<u>1,439,272,202</u>	<u>82.51</u>	<u>1,439,272,202</u>	<u>81.35</u>	<u>1,439,272,202</u>	<u>82.12</u>	<u>1,439,272,202</u>	<u>80.97</u>
<b>Total</b>	<u><u>1,744,290,077</u></u>	<u><u>100</u></u>	<u><u>1,769,201,160</u></u>	<u><u>100</u></u>	<u><u>1,752,677,233</u></u>	<u><u>100</u></u>	<u><u>1,777,588,316</u></u>	<u><u>100</u></u>

Notes:

1. Among the 303,197,075 Shares, 1,240,000 Shares represent interest of Mr. Lo Lin Shing, Simon ("Mr. Lo") on an individual basis; while 301,519,575 Shares represent interest of Golden Infinity. The balance of 437,500 Shares represent interest of Ms. Ku Ming Mei, Rouisa, the spouse of Mr. Lo.
2. Other directors of the Group include Ms. Yvette Ong, Mr. To Hin Tsun, Gerald, Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu and Mr. Tang Chi Kei.

Upon Completion of the Subscription Agreements and the issue of the Subscription Shares to the Subscribers, the Subscribers will not become substantial shareholders of the Company.

## D. FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not undertaken any fund raising activities on any issue of equity securities in the past twelve months before the date of this announcement:

Dates of announcement	Fund raising activities	proceeds raised	Proposed use of the net proceeds	Actual use of the proceeds
8 June 2015	Issue and allotment of Shares under general mandate at a subscription price of HK\$0.54 per Share	HK\$5,696,796.66	For settlement of the outstanding service fees under the Mining Agreement	Used as intended
27 July 2015	Issue and allotment of Shares under general mandate at a subscription price of HK\$0.34 per Share	HK\$10,080,382.00	For settlement of the outstanding service fees under the relevant services agreements	Used as intended
15 September 2015	Issue and allotment of Shares under the General Mandate at a subscription price of HK\$0.25 per Share	HK\$3,612,440.00	For settlement of the outstanding service fees under the Mining Agreement	Used as intended

## E. REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

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

The Subsidiary entered into the Mining Agreement with the LDV Subscriber pursuant to which the LDV Subscriber had provided the coal excavation and related services to the Subsidiary relating to the Khushuut Coal Mine. The Subsidiary is indebted to the LDV Subscriber in the aggregate amount of US\$779,793.93 being, among others, 90% of the service fee for the period between August and October 2015 and 10% of the retention money of the service fee between September and October 2014 under the Mining Agreement. After deduction of the miscellaneous expenses for using our mine site facilities which are payable by the LDV Subscriber in the aggregate amount of US\$127,284.26, the net amount payable by the Subsidiary to the LDV Subscriber under the Mining Agreement is US\$652,509.67.

Pursuant to the LDV Subscription Agreement, the LDV Subscriber agrees that the debt shall be settled and deemed to have been repaid by the Subsidiary in full and final settlement upon the Company issuing 24,911,083 LDV Subscription Shares to the LDV Subscriber or its nominee(s). The aggregate Subscription Price for all the LDV Subscription Shares in the sum of HK\$5,056,949.94 is equivalent to the approximate amount of the debt.

The Subsidiary entered into the Road Maintenance and Protection Work Agreement with the RT Subscriber pursuant to which the RT Subscriber had provided the road maintenance and protection work for the Khushuut Road to the Subsidiary. The Subsidiary is indebted to the RT Subscriber in the amount of US\$219,689.39 being 5% of the contractual retention money under the Road Maintenance and Protection Work Agreement.

Pursuant to the RT Subscription Agreement, the RT Subscriber agrees that the debt shall be settled and deemed to have been repaid by the Subsidiary in full and final settlement upon the Company issuing 8,387,156 RT Subscription Shares to the RT Subscriber or its nominee(s). The aggregate Subscription Price for all the RT Subscription Shares in the sum of HK\$1,702,592.77 is equivalent to the approximate amount of the debt.

Accordingly and as agreed, the proceeds of the Subscriptions will be used to repay the Debts in full and final settlement.

As the current adverse coal market conditions have impacted our financial conditions, and as disclosed in our recent results announcement, we anticipate that the weak coal market will continue. The Company has taken measures to cut down its operating costs in order to alleviate its operating expenses and cash outflow. In light of the impact, the Board believes that it is in the interests of the Company to capitalize the Debts owed by the Subsidiary into share capital as this can enlarge the capital base of the Company, strengthen the financial position of the Group, avoid cash outflows from the Group and preserve the Group's financial resources. Accordingly, the Board considers that the terms of the Subscription Agreements including the Subscription Price are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board will consider, subject to negotiation and the requirements of the Listing Rules, issuing further new shares to the Subscribers and other contractors for their contractual services provided to the Subsidiary on the Khushuut Coal Project.

**Shareholders and potential investors should note that Completion of the Subscriptions is subject to fulfillment of the conditions under the respective Subscription Agreements. As the Subscriptions may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **F. DEFINITIONS**

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

“associate(s)”	with the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays and public holidays) on which banks generally are open for business in Hong Kong
“Company”	Mongolia Energy Corporation Limited (stock code: 276), a company incorporated in the Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscriptions or either of them in accordance with the terms and conditions of the LDV Subscription Agreement and the RT Subscription Agreement

“Completion Date”	not later than the second Business Day following the satisfaction of all the conditions of the Subscriptions or such other date as the Company and the respective Subscribers may agree
“Debts”	an aggregate amount of US\$872,199.06 payable by the Subsidiary to the LDV Subscriber and the RT Subscriber for the contractual services rendered by them to the Subsidiary pursuant to the Mining Agreement and Road Maintenance and Protection Work Agreement respectively
“Directors”	directors of the Company
“General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the annual general meeting of the Company held on 21 August 2015 to allot, issue and deal with Shares and to make or grant offers, agreements and options which may require Shares to be issued, allotted or dealt with, which is subject to the limit of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party (Parties)”	third party (parties) independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
“Khushuut Road”	the 311 km roadway connecting the Khushuut Coal Mine and the Yarant border, Mongolia built by the Subsidiary for the transportation of coal products from the Khushuut Coal Mine to Xinjiang, the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LDV Completion”	completion of the LDV Subscription in accordance with the terms and conditions of the LDV Subscription Agreement



“LDV Subscriber”	Shin Jian Lu Di Van LLC, a company incorporated under the laws of Mongolia
“LDV Subscription Agreement”	the agreement in relation to the LDV Subscription entered into between the Company, the Subsidiary and the LDV Subscriber on 2 December 2015 (after trading hours)
“LDV Subscription”	the subscription of 24,911,083 LDV Subscription Shares pursuant to the terms of the LDV Subscription Agreement
“LDV Subscription Shares”	the new Share(s) to be subscribed under the LDV Subscription
“Mining Agreement”	the Mining Services (Coal Extraction) Agreement entered into by the Subscriber as contractor and the Subsidiary as licence holder of the Khushuut Coal Mine on 28 July 2014 for the provision of coal extraction services by the LDV Subscriber to the Subsidiary on the Khushuut Coal Mine
“Road Maintenance and Protection Work Agreement”	the agreement dated 4 July 2013 and entered into between the RT Subscriber and the Subsidiary relating to the road maintenance and protection work for the Khushuut Road rendered by the RT Subscriber to the Subsidiary
“RT Completion”	completion of the RT Subscription in accordance with the terms and conditions of the RT Subscription Agreement
“RT Subscriber”	Road Trade LLC, a company incorporated under the laws of Mongolia
“RT Subscription Agreement”	the agreement in relation to the RT Subscription entered into between the Company, the Subsidiary and the RT Subscriber on 2 December 2015 (after trading hours)
“RT Subscription”	the subscription of 8,387,156 RT Subscription Shares pursuant to the terms of the RT Subscription Agreement
“RT Subscription Shares”	the new Share(s) to be subscribed under the RT Subscription

“Share(s)”	ordinary share(s) with par value of HK\$0.02 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscribers”	the LDV Subscriber and the RT Subscriber
“Subscriptions”	the subscriptions of the Subscription Shares pursuant to the terms of the LDV Subscription Agreement and the RT Subscription Agreement
“Subscription Agreements”	the LDV Subscription Agreement and the RT Subscription Agreement
“Subscription Price”	HK\$0.203 per Subscription Share
“Subscription Share(s)”	the new Share(s) to be subscribed under the Subscriptions
“Subsidiary”	MoEnCo LLC, an indirect wholly-owned subsidiary of the Company
“substantial shareholder(s)”	with the meaning ascribed thereto under the Listing Rules
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 2 December 2015

*As at the date of this announcement, the Board comprises six Directors, including Mr. Lo Lin Shing, Simon and Ms. Yvette Ong as executive Directors, Mr. To Hin Tsun, Gerald as non-executive Director, and Mr. Peter Pun OBE, JP, Mr. Tsui Hing Chuen, William JP, and Mr. Lau Wai Piu as independent non-executive Directors.*