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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 22 December 2016, after trading hours, the Company as issuer entered into the Subscription Agreement with the Subscriber as subscriber, an Independent Third Party, in relation to the Subscription of the Subscription Shares. Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue a total of 60,000,000 Subscription Shares at the Subscription Price of HK\$0.26 per Subscription Share.

The Subscription Shares represent (i) approximately 3.29% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 3.19% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the dates of the Subscription Agreement and Completion save for the issue of such Subscription Shares). The proceeds raised from the Subscription are approximately HK\$15,600,000 which will be used as a general working capital of the Group. The Subscription Shares will be allotted and issued pursuant to the General Mandate.

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

A. THE SUBSCRIPTION AGREEMENT

Date

22 December 2016 (after trading hours)

Parties

Issuer: The Company

Subscriber: Gold China Enterprises Co., Ltd.

The Subscription

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe 60,000,000 Subscription Shares at HK\$0.26 per Subscription Share, representing approximately 3.29% of the issued share capital of the Company as at the date of this announcement, and approximately 3.19% of the issued share capital as enlarged by the issue of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the dates of the Subscription Agreement and Completion save for the issue of such Subscription Shares).

The Subscriber

The Subscriber is a company incorporated in the British Virgin Islands with limited liability. The Subscriber is an investment holding company.

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

Subscription Price

The Subscription Price of HK\$0.26 per Subscription Share represents:

- (i) a discount of approximately 7.1% to the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on 22 December 2016, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 12.5% to the average closing price of HK\$0.297 per Share as quoted on the Stock Exchange for the last five trading days up to and including 21 December 2016, being the last trading day immediately prior to the date of the Subscription Agreement.

The Subscription Price of HK\$0.26 per Subscription Share was determined on arm's length basis between the Company and the Subscriber taking into account on current market conditions and the prevailing market price of the Shares.

Ranking of the Subscription Shares

The Subscription Shares will be issued fully paid up and ranking pari passu in all respects among themselves and with the existing Shares in issue, including 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 Subscription

Completion of the Subscription 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; and
- (ii) 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 Agreement and any of the transaction contemplated thereunder.

Unless the foregoing conditions are fulfilled within one month from the date of the Subscription Agreement (or such other date as may be agreed between the Company and the Subscriber); otherwise, the Subscription Agreement shall terminate and none of the parties to the Subscription Agreement shall have any claim against the other for any costs or losses (save for any prior breaches of the Subscription Agreement).

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 pursuant to the General Mandate granted to the Board at the annual general meeting of the Company held on 22 August 2016. Under the General Mandate, the Directors are authorized to allot and issue up to 357,351,699 new Shares. Up to the date of this announcement, no Shares have been issued under the General Mandate and the Subscription Shares will be issued upon Completion by the General Mandate.

Completion of the Subscription

Completion of the Subscription will take place no later than the fifth Business Day after the date on which the conditions in respect of the Subscription under the Subscription Agreement are fulfilled or such other date as the Company and the Subscriber may agree.

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 structure of the Company as at the date of this announcement and immediately after the Completion of the Subscription is as follows (assuming there will not be any change in the issued share capital of the Company from the date of the Subscription Agreement 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 Subscription	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Golden Infinity Co., Ltd. (“Golden Infinity”) and its associates (Note 1)	303,197,075	16.65	303,197,075	16.12
Other directors of the Group (Note 2)	1,820,800	0.10	1,820,800	0.09
Subscriber	-	-	60,000,000	3.19
Other public Shareholders	<u>1,516,240,624</u>	<u>83.25</u>	<u>1,516,240,624</u>	<u>80.60</u>
Total	<u>1,821,258,499</u>	<u>100</u>	<u>1,881,258,499</u>	<u>100</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 and the issue of the Subscription Shares to the Subscriber, the Subscriber will not become a substantial shareholder 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
11 March 2016	Issue and allotment of Shares under the General Mandate at a subscription price of HK\$0.173 per Share	HK\$1,586,441.69	For settlement of the outstanding service fees under the contractual service agreement	Used as intended

E. REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

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

Assuming completion of the Subscription pursuant the Subscription Agreement, the proceeds of the Subscription will be approximately HK\$15,600,000. The Board intended to apply the proceeds raised from the Subscription as general working capital of the Group.

The Board considered that the Subscription Agreement was entered into on normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Shareholders and potential investors should note that Completion of the Subscription is subject to fulfillment of the conditions under the Subscription Agreement. As the Subscription 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 Saturday, Sunday and public holiday) on which banks generally are open for business in Hong Kong
“Company”	Mongolia Energy Corporation Limited (stock code: 276), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	not later than the fifth Business Day following the satisfaction of all the conditions of the Subscription or such other date as the Company and the Subscriber may agree
“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 22 August 2016 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)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Subscriber”	Gold China Enterprises Co., Ltd., an Independent Third Party and a company incorporated in the British Virgin Islands with limited liability
“Subscription”	the subscription of the 60,000,000 Subscription Shares pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the agreement in relation to the Subscription entered into between the Company, and the Subscriber
“Subscription Price”	HK\$0.26 per Subscription Share
“Subscription Share(s)”	the new Share(s) to be subscribed under the Subscription
“substantial shareholder(s)”	with the meaning ascribed thereto under the Listing Rules
“%”	per cent.

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

Hong Kong, 22 December 2016

As at the date of this announcement, the Board comprises seven Directors, including Mr. Lo Lin Shing, Simon and Ms. Yvette Ong as executive Directors, Mr. To Hin Tsun, Gerald and Mr. Lo, Rex Cze 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.