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MONGOLIAN MINING CORPORATION
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 975)

**PAST CONNECTED TRANSACTION
ENTERING INTO COAL SALES AGREEMENT
WITH RISUN SUPPLY MANAGEMENT CO., LTD**

INTRODUCTION

During the preparation of the annual report of the Company for the year ended 31 December 2021, it has come to the attention of the Board that a Coal Sales Agreement for the sale and purchase of washed hard coking coal (“**HCC**”) was entered into by Tianjin Zhengcheng Import and Export Trade Co., Ltd (“**TZJV**”), an indirect non-wholly owned subsidiary of the Company, and Risun Supply Management Co., Ltd (formerly known as Risun Mining Co., Ltd) (“**Risun**”) on 16 October 2021, and given that Risun is a connected person of the Company at the subsidiary level, such transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

THE COAL SALES AGREEMENT

Pursuant to the Coal Sales Agreement, Risun agreed to purchase, and TZJV agreed to sell, HCC produced at Ukhaa Khudag (“**UHG**”) open-pit coking coal mine, located in the Umnugobi aimag (South Gobi province), Mongolia.

LISTING RULES IMPLICATIONS

Reference is made to the announcement of the Company dated 25 June 2014 in relation, to among others, the establishment of TZJV with Risun for the joint transportation, sale and distribution of coal produced by the Company. TZJV is 51% owned by Mongolian Coal Corporation Limited (“**MCCL**”), a wholly-owned subsidiary of the Company, and 49% owned by Risun. Risun is a substantial shareholder of TZJV and therefore a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. Accordingly, the transaction contemplated under the Coal Sales Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Coal Sales Agreement exceeded 1% but was below 5%, it was subject to the reporting and announcement requirements but was exempt from independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. However, due to an inadvertent oversight, the Company did not duly fulfil the announcement requirement in respect of the Coal Sales Agreement under Chapter 14A of the Listing Rules.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with the relevant connected transaction requirements under Chapter 14A of the Listing Rules and would like to stress that such non-compliance was inadvertent and unintentional.

Currently, the Company has no plan to enter into new transactions of coal sales with Risun. If the Company plans to enter into such transactions with Risun in the future, the Company will comply with all applicable requirements under the Listing Rules in respect thereof. The Company will take further remedial measures to tighten its internal control procedure with a view to ensure timely compliance with the Listing Rules and to prevent recurrence of similar incidents.

INTRODUCTION

During the preparation of the annual report of the Company for the year ended 31 December 2021, it has come to the attention of the Board that a Coal Sales Agreement for the sale and purchase of HCC was entered into by TZJV and Risun on 16 October 2021, and given that Risun is a connected person of the Company at the subsidiary level, such transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

THE COAL SALES AGREEMENT

The key terms of the Coal Sales Agreement are set forth below.

Date

16 October 2021

Term of the agreement

From: 16 October 2021

To: 31 March 2022

Parties

- (i) Tianjin Zhengcheng Import and Export Trade Co., Ltd, an indirect non-wholly owned subsidiary of the Company, as seller
- (ii) Risun Supply Management Co., Ltd, a substantial shareholder of TZJV and therefore a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules, as purchaser

Principal terms

According to the Coal Sales Agreement, TZJV agreed to sell, and Risun agreed to purchase, a total of approximately 92 thousand tonnes (“kt”) of HCC produced at UHG open-pit coking coal mine, located in the Umnugobi aimag (South Gobi province), Mongolia.

The shipment schedule shall be from 16 October 2021 to 31 March 2022. However, the shipment schedule has been delayed as a result of the cross-border throughput control measures during 2021 due to the COVID-19 pandemic, which significantly impacted the Group’s operating environment, in particular to the coal transportation and logistics operations via Gashuunsukhait-Ganqimaodu (“GS-GM”) border crossing checkpoint. As at 31 March 2022, TZJV has supplied a total of approximately 63 kt of HCC to Risun pursuant to the Coal Sales Agreement, while the remaining coal products are expected to be supplied to Risun in the following months subject to the GS-GM cross-border situation.

Price and value of consideration

Under the Coal Sales Agreement, the price of HCC per tonne was RMB1,100, which was determined with reference to the Group’s average selling price of coal products of similar quality transacted with its other customers. The aggregate amount of consideration payable by Risun to TZJV under the Coal Sales Agreement is RMB100,970,100 (then equivalent to approximately USD15,689,306) inclusive of VAT.

HISTORICAL TRANSACTION AMOUNT

The historical transaction amount payable by Risun to TZJV under the Coal Sales Agreement for the year ended 31 December 2021 was approximately USD7,477,260.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COAL SALES AGREEMENT

The Coal Sales Agreement was entered into by TZJV with Risun mainly for the following reasons:

- (i) Risun is a limited liability company established in the PRC and is wholly-owned by Risun Holding Co., Ltd, which in turn controlled by Mr. Yang Xuegang (楊雪崗), the chairman and chief executive officer of China Risun Group Limited, the shares of which are listed on the Stock Exchange (Stock Code: 1907). Risun is principally engaged in supply chain management, sales of coke and steel scrap, non-metallic ores, hardware, wires, and cables, chemical raw materials and trading of coal. Risun was established in the PRC in 2008 and has established reliable and stable sales network of coal products for extensive supply chain of coal, coke and coking chemicals, and refined chemicals, as well as comprehensive logistic management to establish more sales branches covering different regions. Therefore, TZJV considered that the entering into the Coal Sales Agreement could increase the market share of the Group, which the Company can leverage on to increase coal products output and potentially improve profitability of the Group.

- (ii) The core business of TZJV is to develop markets for the Company's coal sales business in the PRC with Risun, namely the marketing and sales of HCC, to be supplied to, including but not limited to, coke-chemical plants mainly in Hebei province and the northern part of Shandong province in the PRC.
- (iii) Taking into account the above factors, TZJV considered that the Coal Sales Agreement was in line with the business and commercial objectives of the Group, and was conducive to its market penetration to the major coke and steel producing areas in the PRC and could further expand a long-term relationship with the end-users customer base with the expectation to further diversify its revenue sources.

The Directors (including the independent non-executive Directors) have reviewed the Coal Sales Agreement and, for the reasons set out above, considered that the Coal Sales Agreement is conducive to the Group and the terms were negotiated and determined on an arm's length basis, on normal commercial terms within the ordinary and usual course of business of the Group and was fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Coal Sales Agreement was negotiated and entered into individually on an one-off basis, taking into account the supply needs of Risun and the demand of HCC products. Currently, the Group has no plan of entering into new transactions of similar nature with Risun. If the Group plans to enter into such transactions with Risun in the future, the Company will comply with all applicable requirements under the Listing Rules in respect thereof.

CONFIRMATION FROM THE DIRECTORS IN RELATION TO THE COAL SALES AGREEMENT

The Company has reported in writing the matters regarding the Coal Sales Agreement to all Directors, and the resolution on the ratification, confirmation, and approval of the transaction contemplated under the Coal Sales Agreement has been passed by the Board.

As none of the Directors is considered as having a material interest in the connected transaction contemplated under the Coal Sales Agreement, none of them is required to abstain from voting on the relevant resolution of the Board.

The Company has taken into account the incident and has informed all Directors in writing that hereafter, and will take remedial measures to prevent the recurrence of similar incidents as well as monitor the ongoing compliance for similar transactions, details of which are set out in paragraphs headed "Remedial Measures" below.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with the relevant connected transaction requirements under Chapter 14A of the Listing Rules and would like to stress that such non-compliance was inadvertent and unintentional. The Company will take further remedial measures to tighten its internal control procedure with a view to ensuring timely compliance with the Listing Rules and to prevent recurrence of similar incidents. These measures include: (i) with the assistance of the legal advisers, relevant internal training session will be arranged for all the relevant personnel of the Company to explain the applicability of Chapter 14A of the Listing Rules and potential issues at an early stage to avoid the recurrence of delay in disclosure for future transactions; (ii) to circulate the relevant internal guidelines, to remind the responsible staff, senior management and Directors and strengthen their understanding to identify the circumstances which are expected to trigger an announcement and other reporting requirements under the Listing Rules; and (iii) on an ongoing basis, the Company will work more closely with external advisers, financial and legal, before entering into any potential notifiable or connected transactions. If necessary, the Company could also consult the Stock Exchange on the proper treatment of the proposed transaction.

GENERAL INFORMATION

The Company is principally engaged in open-pit mining and sale of coking coal in Mongolia, as well as the transportation, export and sale of resulting premium products into the PRC.

TZJV, an indirect non-wholly owned subsidiary of the Company, is principally engaged in the trading of coals and machinery equipment.

Risun is a limited liability company established in the PRC and is wholly-owned by Risun Holding Co., Ltd, which in turn controlled by Mr. Yang Xuegang (楊雪崗), the chairman and chief executive officer of China Risun Group Limited, the shares of which are listed on the Stock Exchange (stock code: 1907). Risun is principally engaged in supply chain management, sales of coke and steel scrap, non-metallic ores, hardware, wires, and cables, chemical raw materials trading of coal.

LISTING RULES IMPLICATIONS

Reference is made to the announcement of the Company dated 25 June 2014 in relation, to among others, the establishment of TZJV with Risun for the joint transportation, sale and distribution of coal produced by the Company. TZJV is 51% owned by MCCL, a wholly-owned subsidiary of the Company, and 49% owned by Risun. Risun is a substantial shareholder of TZJV and therefore a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. Accordingly, the Coal Sales Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction under the Coal Sales Agreement exceeded 1% but was below 5%, it was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, due to an inadvertent oversight, the Company did not duly fulfil the announcement requirement in respect of the Coal Sales Agreement under Chapter 14A of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors;
“Coal Sales Agreement”	an agreement of sale and purchase of washed hard coking coal entered into between TZJV and Risun dated 16 October 2021;
“Company”	Mongolian Mining Corporation, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 975);
“connected person”	has the same meaning ascribed to it under the Listing Rules;
“connected transaction”	has the same meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company together with its subsidiaries;
“HCC”	washed hard coking coal;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region and Taiwan;
“Risun”	Risun Supply Management Co., Ltd (formerly known as Risun Mining Co., Ltd), a company established in the PRC and a shareholder holding 49% equity interests of TZJV;
“RMB”	Renminbi, the current lawful currency of the PRC;
“Shareholder(s)”	the registered holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“TZJV” Tianjin Zhengcheng Import and Export Trade Co., Ltd, a joint venture company incorporated in the People’s Republic of China with limited liability, is an indirect non-wholly owned subsidiary of the Company;

“%” per cent.

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

Hong Kong 20 April 2022

As at the date of this announcement, the board of directors of the Company consists of Mr. Odjargal Jambaljamts and Dr. Battsengel 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.