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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF GLORY KEY INVESTMENTS LIMITED AND THE SALE LOAN**

#### **THE DISPOSAL**

Mongolia Energy Corporation Limited (“MEC”) is pleased to announce that, on December 9, 2009, the Vendor (being the MEC’s indirect wholly-owned subsidiary) and the Purchaser entered into the Agreement pursuant to which (i) the Purchaser agreed to purchase and the Vendor agreed to sell the entire issued share capital in Glory Key; and (ii) the Vendor agreed to assign the Sale Loan to the Purchaser for a total consideration of HK\$96 million. The principal asset of Glory Key is a Gulfstream G200 aircraft.

The Consideration shall be paid by the Purchaser to the Vendor upon Completion. The Group intends to apply the net proceeds from the Disposal as general working capital of the Group.

#### **GENERAL**

The Disposal constitutes a discloseable transaction on the part of MEC under Chapter 14 of the Listing Rules. As the Purchaser is a connected person of MEC, the Disposal also constitutes a connected transaction on the part of MEC under Chapter 14A of the Listing Rules.

The Disposal is subject to, among other things, the approval by the Independent Shareholders at the SGM. The Purchaser, Mr. Lo and their respective associates will abstain from voting for the relevant resolution to approve the Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among others, details of the Disposal, the letter from the Independent Board Committee, the letter of advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, information regarding the Group and a notice of SGM will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

## **THE AGREEMENT**

**Date:** December 9, 2009

### **Parties:**

**Vendor:** Asia Business Aviation Limited, an indirect wholly-owned subsidiary of MEC, being the vendor of the Sale Share and the Sale Loan.

**Vendor's guarantor:** MEC, the ultimate beneficial owner of the entire issued share capital of the Vendor, has agreed to guarantee the performance and observance of the Vendor under the Agreement and to provide indemnity to the Purchaser in the event of Vendor's default under the Agreement.

**Purchaser:** New World Mobile Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability. As Mr. Lo is the controlling shareholder (as defined under the Listing Rules) of the Purchaser, holding approximately 47.12% of the entire issued share capital of the Purchaser as at the date of this announcement, the Purchaser is an associate of Mr. Lo and a connected person of MEC.

Pursuant to the Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Share and assignment of the Sale Loan at the Consideration.

## **THE DISPOSAL**

### **The Sale Share**

The Sale Share represents the entire issued share capital of Glory Key which is one ordinary share of US\$1.00 in issue as at the date of the Agreement.

Glory Key is a company incorporated under the laws of the British Virgin Islands with limited liability. The principal asset of Glory Key is the beneficial ownership of the Gulfstream G200 aircraft for the provision of charter flight services.

Glory Key purchased the Gulfstream G200 aircraft for a consideration of US\$18.5 million (equivalent to approximately HK\$144.3 million\*\*) pursuant to the Aircraft Purchase Agreement.

### **The Sale Loan**

The Sale Loan represents the entire interest free shareholder's loan due from Glory Key to the Vendor. The unaudited shareholder's loan due from Glory Key to the Vendor was standing at HK\$177,177,000 as at September 30, 2009.

The sale and purchase of the Sale Share and assignment of the Sale Loan are inter-conditional and shall be completed simultaneously upon Completion under the terms of the Agreement.

### **Consideration**

The aggregate consideration for the Sale Share and assignment of the Sale Loan is HK\$96 million.

The Consideration will be satisfied as by the Vendor upon Completion as follows:

- (a) as to HK\$50 million by cash; and
- (b) as to HK\$46 million by the issue of the Loan Note.

If the net asset value of Glory Key calculated by subtracting the aggregate liabilities (other than the Sale Loan) of the Company from the aggregate value of the assets (excluding the Gulfstream G200 aircraft and any value ascribed to the Lease) as shown in the unaudited management accounts of Glory Key for the period ending on the date of Completion is in the negative, the cash portion of the Consideration shall be adjusted downwards by the amount equal to such negative amount. As the Consideration will only be adjusted downwards, the Disposal will not constitute a major transaction or a very substantial disposal on the part of MEC after such adjustment.

### **Principal terms of the Loan Note**

- (a) *Principal amount*

HK\$46 million.

- (b) *Maturity*

The second anniversary from the date of issue of the Loan Note.

- (c) *Interest*

4% per annum payable on maturity.

- (d) *Redemption*

The Purchaser may elect to redeem the whole or any part of the Loan Note (in an integral multiple of HK\$1,000,000) then outstanding together with all interest accrued thereon or any part thereof from time to time outstanding prior to the maturity date.

- (e) *Assignment*

The Loan Note may be transferred or assigned by the holder of the Loan Note to any party.

The Consideration was determined after arm's length negotiations between the parties and with reference to the market value of the Gulfstream G200 aircraft of approximately US\$12.30 million (equivalent to HK\$95.94 million\*\*) (subject to finalisation) as at September 30, 2009 as appraised by Jones Lang LaSalle Sallmanns Limited, an independent valuer.

Upon Completion, Glory Key will cease to be a subsidiary of MEC.

### **Conditions Precedent**

Completion shall be conditional upon:

- (a) the passing of an ordinary resolution by the Independent Shareholders at a general meeting of MEC approving the entering into of the Agreement and the performance of the transactions contemplated thereunder by the Vendor;
- (b) the passing of an ordinary resolution by the shareholders of the Purchaser (other than those who are required to abstain from voting under the Listing Rules) at a general meeting of the Purchaser approving the entering into of the Agreement and the performance of the transactions contemplated thereunder by the Purchaser;
- (c) the Purchaser notifying the Vendor in writing that it is reasonably satisfied with the due diligence review;
- (d) the Purchaser having received the valuation report issued by an independent professional valuer appointed by the Vendor (at its sole costs and expenses) and approved by the Purchaser;
- (e) the Purchaser having received legal opinions relating to Glory Key, the title and rights of Glory Key over Gulfstream G200 aircraft and other matters as the Purchaser may reasonably require from a qualified lawyer in the relevant place of its incorporation to be approved by the Purchaser and at the sole costs and expenses of the Vendor and such legal opinions shall be in such form and substance reasonably acceptable to the Purchaser;
- (f) all necessary governmental and regulatory approvals in respect of the Lease at the monthly rent of not less than US\$30,000 (equivalent to HK\$234,000\*\*) having been obtained;
- (g) all necessary governmental and regulatory (including the Stock Exchange) approvals or consents (or waivers) required by the Vendor and the Purchaser or any of them for the consummation of the transactions contemplated herein having been obtained;
- (h) all necessary third party approvals or consents (or waivers) required by the Vendor and the Purchaser or any of them for the consummation of the transactions contemplated herein having been obtained;
- (i) the Gulfstream G200 aircraft being in the conditions as set out in the Agreement;

- (j) the Vendor's warranties remaining true and accurate and not misleading in any material respects at Completion and at all times between the date of the Agreement and Completion (save as otherwise expressly provided in the Agreement); and
- (k) the Purchaser's warranties remaining true and accurate and not misleading in any material respects at Completion and at all times between the date of the Agreement and Completion (save as otherwise expressly provided in the Agreement).

If any of the conditions has not been fulfilled (or waived by the Purchaser in respect of conditions (c), (d), (e), (i) and (j) or by the Vendor in respect of condition (k)) by March 15, 2010, either the Vendor or the Purchaser shall be entitled to rescind the Agreement whereupon the provisions of the Agreement shall from such date have no further force and effect and no party to the Agreement shall have any liability under them (without prejudice to the rights of the parties to the Agreement in respect of any antecedent breaches).

### **Long Stop Date**

March 15, 2010 or such other later date as the Vendor and the Purchaser may agree in writing.

### **Completion**

Completion shall take place on the third Business Day after the fulfilment or waiver (as the case may be) of all the conditions or such other date as the Vendor and the Purchaser may agree in writing on which Completion shall take place.

## **INFORMATION OF THE PARTIES**

### **The Group**

The Group is principally engaged in energy and related resources, property investments and provision of charter flight services. As an energy and resources developer, MEC is now focusing on commencement of mining operations in Khushuut, Mongolia.

### **The Vendor**

The Vendor is an indirect wholly-owned subsidiary of MEC. It was incorporated under the laws of Hong Kong with limited liability and is an investment holding company of Glory Key. Apart from this, the Vendor has no other business activity.

### **The Purchaser**

The Purchaser is a company incorporated under the laws of the Cayman Islands with limited liability and whose issued shares are listed on the Stock Exchange. It is principally engaged in the provision of network solutions, project services; and property investment. As the Purchaser is an associate of Mr. Lo, the Purchaser is a connected person of MEC under the Listing Rules.

## Glory Key

Glory Key is a company incorporated under the laws of the British Virgin Islands with limited liability. The current principal asset of Glory Key is the Gulfstream G200 aircraft and through which Glory Key is engaged in the provision of charter flight services.

Glory Key purchased the Gulfstream G200 aircraft for a consideration of US\$18.5 million (equivalent to approximately HK\$144.3 million\*\*) pursuant to the Aircraft Purchase Agreement.

Under the Lease Agreement entered into between Glory Key and Business Aviation, Glory Key agreed to lease the Gulfstream G200 aircraft to Business Aviation, an associate of MEC, for an initial term of 12 months (with an option to renew for a further term of 12 months, upon which Glory Key and Business Aviation shall negotiate and agree on any adjustment to the rent for such renewal) at the monthly rent of US\$40,000 (equivalent to HK\$312,000\*\*). The Lease Agreement is to become effective subject to the granting of the approvals by the relevant government authorities of the PRC.

The following is a summary of the unaudited results of Glory Key for the years ended March 31, 2008 and 2009 respectively:

	<b>For the year ended March 31</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operations	2,005	3,043
Loss before taxation	18,336	14,821
Taxation	—	—
Loss attributable to shareholders	<u>18,336</u>	<u>14,821</u>
Net Assets	<u>118,850</u>	<u>120,956</u>

## REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed under the annual report 2009 of MEC and in earlier announcements, the Group is principally focusing in the energy and related resources business and working towards commencement of the mining operations of the Khushuut coking coal project. The private jet charter flight is a residual business and the Group is constantly reviewing its business strategy from time to time. The offer to purchase the entire issued share capital of Glory Key by the Purchaser represents a good realization opportunity to the Group based on the market value of the Gulfstream G200 aircraft as at September 30, 2009 and is consistent with the Group's focus on energy and related resources business.

MEC refers to page 13 of the annual report of MEC for the year ended March 31, 2009, wherein it was noted that MEC was in negotiations for consummating long term coal supply agreement(s) with major Xinjiang steel/coke producer(s), which would provide a possible source of revenues for MEC, following completion of the disposal of the Gulfstream G200 aircraft which is currently providing the only source of revenue for MEC, subject to the risk factors as previously disclosed, aside from any subsequent events that give rise to revenue to MEC over time.

The Board (excluding the independent non-executive Directors) considers that the Disposal is consistent with the business strategy of the Group to focus and concentrate on the energy and resources development.

Based on the above, the Board (excluding the independent non-executive Directors, who will provide their views after the advice by the independent financial adviser) is of the view that the Disposal is fair and reasonable and in the interests of the Shareholders and MEC as a whole.

## **USE OF PROCEEDS**

As a result of the Disposal, based on the consideration of HK\$96 million, the Group is expected to record an unaudited loss on disposal as at March 31, 2009 of approximately HK\$22.9 million. The Group intends to apply the net proceeds from the Disposal as general working capital of the Group.

## **GENERAL**

The Disposal constitutes a discloseable transaction on the part of MEC under Chapter 14 of the Listing Rules. As the Purchaser is a connected person of MEC, the Disposal also constitutes a connected transaction on the part of MEC under Chapter 14A of the Listing Rules.

The Agreement and the transactions contemplated thereunder are subject to, among other things, the approval by the Independent Shareholders at the SGM. The Purchaser, Mr. Lo and their respective associates will abstain from voting for the relevant resolution to approve the Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among others, details of the Disposal, the letter from the Independent Board Committee, the letter of advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, information regarding the Group and a notice of SGM will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Disposal. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## DEFINITIONS

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

“Agreement”	the agreement dated December 9, 2009 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Share and the assignment of the Sale Loan
“Aircraft Purchase Agreement”	the agreement dated November 11, 2005 entered into between Glory Key as purchaser and Sky Jet International Group Limited as seller in relation to the sale and purchase of a Gulfstream G200 aircraft which was more particularly set out in the circular of MEC of December 23, 2005
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Aviation”	亞聯公務機有限公司(Business Aviation Asia Limited), a company established in the PRC, 43% of the registered capital of which is indirectly owned by MEC
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Completion”	completion of the sale and purchase of the Sale Share and the assignment of the Sale Loan under the Agreement
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	HK\$96 million, being the aggregate cash consideration for the Sale Share and the Sale Loan under the Disposal
“Director(s)”	director(s) of MEC
“Disposal”	the disposal of the Sale Share and the assignment of the Sale Loan by the Vendor to the Purchaser pursuant to the terms and conditions of the Agreement



“Glory Key”	Glory Key Investments Limited, a limited liability incorporated under the laws of the British Virgin Islands and an indirectly wholly owned subsidiary of MEC as at the date of the Agreement
“Group”	MEC and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, which will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Disposal
“Independent Shareholders”	Shareholders other than the Purchaser, Mr. Lo and their respective associates
“Lease”	the lease between Glory Key as the lessor and Business Aviation as the lessee in relation to the leasing of the Gulfstream G200 aircraft pursuant to the Lease Agreement
“Lease Agreement”	the lease agreement dated December 3, 2009 entered into between Glory Key as the lessor and Business Aviation as the lessee for the leasing of the Gulfstream G200 aircraft for an initial term of 12 months (with an option to renew for a further term of 12 months on the same term, upon which Glory Key and Business Aviation shall negotiate and agree on any adjustment to the rent for such renewal) at the monthly rent of US\$40,000 (equivalent to HK\$312,000**) subject to the relevant approval requirements from the PRC authorities
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Note”	the loan note in the principal amount of HK\$46 million to be issued by the Purchaser in favour of the Vendor upon Completion in partial settlement of the Consideration
“MEC”	Mongolia Energy Corporation Limited (stock code: 276), a company incorporated in Bermuda with limited liability and whose issued shares are listed on the Stock Exchange
“Mr. Lo”	Mr. Lo Lin Shing, Simon, the chairman of the Board, an executive Director and a substantial shareholder (as defined under the Listing Rules) of MEC

“Purchaser”	New World Mobile Holdings Limited (stock code: 862), a company incorporated under the laws of the Cayman Islands, and whose issued shares are listed on the Stock Exchange, being the purchaser of the Sale Share and the Sale Loan
“Sale Loan”	the entire interest free shareholder’s loan due from Glory Key to the Vendor
“Sale Share”	the entire issued share capital of Glory Key which is wholly owned by the Vendor as at the date of the Agreement
“SGM”	the special general meeting of MEC to be held and convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Shareholders”	holders of the ordinary shares of HK\$0.02 each in the share capital of MEC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Asia Business Aviation Limited, an indirect wholly-owned subsidiary of MEC, being the vendor of the Sale Share and the Sale Loan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America

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

Hong Kong, December 11, 2009.

*As at the date hereof, the Board comprises seven Directors, of which Mr. Lo Lin Shing, Simon, Mr. Liu Zhuo Wei and Ms. Yvette Ong are executive Directors, Mr. To Hin Tsun, Gerald is a non-executive Director and Mr. Peter Pun OBE JP, Mr. Tsui Hing Chuen, William JP and Mr. Lau Wai Piu are independent non-executive Directors.*

**\*\*     *For illustration purpose only at the exchange rate of US\$1 to HK\$7.8***