

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 276)

DISCLOSEABLE AND CONNECTED TRANSACTION

On 28 July 2010 (after trading hours), the Company and the Purchaser entered into the Agreement, pursuant to which the Company has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan at the Transaction Consideration of HK\$38,239,645 (subject to adjustments), which will be satisfied by way of cash upon Completion. The business of the Disposed Group is its investment and holding of 43% equity interest in PRC Co. The PRC Group is principally engaged in aircraft charter, aircraft management, aircraft maintenance and related business. Upon Completion, Business Aviation will cease to be a wholly-owned subsidiary of the Company.

As the relevant percentage ratios (as defined in the Listing Rules) are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Purchaser is an investment holding company incorporated in Panama and is wholly and beneficially owned by Mr. Lo. As Mr. Lo is the chairman of the Board, an executive Director and a substantial Shareholder, the Purchaser is a connected person and the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Disposal is subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. Mr. Lo and his associates will abstain from voting in respect of the proposed resolution approving the Disposal at the SGM.

A circular containing, among other things, (i) further details of the Disposal; (ii) the recommendations of the Independent Board Committee; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee; and (iv) a notice convening the SGM, is expected to be dispatched by the Company to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

THE AGREEMENT

Date

28 July 2010, after trading hours

Parties

- (i) The Company as vendor; and
- (ii) The Purchaser as purchaser.

The Purchaser is an investment holding company incorporated in Panama and is wholly and beneficially owned by Mr. Lo. As Mr. Lo is the chairman of the Board, an executive Director and a substantial Shareholder, the Purchaser is a connected person of the Company under the meaning of the Listing Rules.

Assets to be disposed of

Pursuant to the terms and conditions of the Agreement, the Company has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan. The Sale Share represents the entire issued share capital of Business Aviation. The Sale Loan represents the entire interest free shareholder's loan owing from Business Aviation to the Company as at Completion. The unaudited shareholder's loan owing from Business Aviation to the Company was HK\$44,511,160 as at 31 March 2010.

The business of the Disposed Group is its investment and holding of 43% equity interest in PRC Co. The PRC Group is principally engaged in aircraft charter, aircraft management, aircraft maintenance and related business.

Consideration

The Transaction Consideration (subject to adjustments as set out below) shall be paid by cash by the Purchaser upon Completion.

The Transaction Consideration was determined between the Company and the Purchaser after arm's length negotiations on the bases that the net asset value ("NAV") of the Disposed Group shall be HK\$38,239,645 on the date of Completion (but immediately prior to Completion).

The Transaction Consideration is subject to adjustments. If the NAV of the Disposed Group as set out in the Completion Accounts (as defined in the Agreement) is more or less than HK\$38,239,645, the Transaction Consideration shall be adjusted upward or downward correspondingly.

Based on the above, the Directors (excluding the independent non-executive Directors who shall provide their view after considering the advice from the independent financial adviser) consider that the terms of the Agreement including the Transaction Consideration, which were arrived at after arm's length negotiations, are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

Upon Completion, Business Aviation will cease to be a wholly-owned subsidiary of the Company.

Conditions precedent

Completion of the Agreement is conditional upon:

- (a) the compliance by the Company of all relevant provisions of the Listing Rules and all requirements of the Stock Exchange, including but not limited to the passing of the necessary resolution by the Independent Shareholders at the SGM approving the Disposal;
- (b) all necessary governmental and regulatory approvals or consents (or waivers) required by the parties to the Agreement for the consummation of the transactions contemplated in the Agreement having been obtained;
- (c) all necessary third party approvals or consents (or waivers) required by the parties to the Agreement for the consummation of the transactions contemplated in the Agreement (including those persons entitled to any pre-emptive rights) having been obtained; and
- (d) all existing permits in respect of the operation of the business of the PRC Group remaining valid and subsisting and no notice (actual or constructive) having been received by the Company or any member of the Disposed Group or the PRC Group that the same will be terminated, revoked, withdrawn or suspended.

All the above conditions precedent are not waivable.

If any of the above conditions precedent has not been fulfilled on or before 15 October 2010 (or such later date to be agreed between the Company and the Purchaser), either the Company or the Purchaser shall be entitled to rescind the Agreement by giving written notice to the other whereupon the provisions of the Agreement shall from such date have no further force and effect and no party shall have any liability under them (without prejudice to the rights of the parties in respect of any antecedent breaches thereof).

Completion

Completion shall take place on the third Business Day after the date of fulfillment of all the conditions precedent to the Agreement or such other date as the parties to the Agreement may agree in writing.

INFORMATION ON THE DISPOSED GROUP AND THE PRC CO

Business Aviation was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. Business Aviation (HK) was incorporated in Hong Kong and is a wholly-owned subsidiary of Business Aviation. The business of the Disposed Group is its investment and holding of 43% equity interest in PRC Co.

PRC Co was incorporated in the PRC with limited liability and is owned as to 43% by Business Aviation (HK). The other shareholders of PRC Co are Independent Third Parties. The PRC Group is principally engaged in aircraft charter, aircraft management, aircraft maintenance and related business.

Set out below is a summary of the unaudited financial information of Business Aviation for each of the two years ended 31 March 2009 and 31 March 2010 prepared in accordance with HKFRS:

	For the year ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
Revenue	—	—
Loss before taxation	(749)	(3,057)
Taxation	—	—
	<u> </u>	<u> </u>
Loss attributable to shareholder	<u>(749)</u>	<u>(3,057)</u>
Net Assets	<u>38,240</u>	<u>38,983</u>

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is an energy and resources developer.

As disclosed in the Group's 2010 annual report, the Group is principally focusing on the energy and related resources business and working towards commercial production of coking coal under its Khushuut coking coal project. The charter flight business of the Group was accounted for as a discontinued operation after completion of disposal of a Gulfstream G200 aircraft on 1 March 2010. The purchase of a new Falcon 900EX was also terminated in May 2010. In this connection, the business of the PRC Group, namely aircraft charter, aircraft management, aircraft maintenance and related business, has lost synergy to the Group's current focus. In addition, the operating performance of the PRC Group has not been satisfactory with no profit over the past years. The Disposal represents a good realization opportunity to the Group based on the NAV of the Disposed Group on Completion and is consistent with the Group's strategy in focusing on energy and related resources business.

As such, the Board (excluding the independent non-executive Directors who will provide their views after considering the advice from the independent financial adviser) is of the view that the Disposal is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

USE OF PROCEEDS

As the Transaction Consideration is based on the NAV of the Disposed Group on Completion, the Board expects that there will be no material gain or loss as a result of the Disposal.

The net proceeds of the Disposal after deducting all relevant expenses is expected to be approximately HK\$37,540,000 (assuming no adjustments to the Transaction Consideration). The Group intends to apply the net proceeds from the Disposal as general working capital of the Group.

GENERAL

As the relevant percentage ratios (as defined in the Listing Rules) are more than 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Purchaser is an investment holding company incorporated in Panama and is wholly and beneficially owned by Mr. Lo. As Mr. Lo is the chairman of the Board, an executive Director and a substantial Shareholder (through himself and his associates holding approximately 19.67% of the entire issued share capital of the Company as at the date of the Agreement), the Purchaser is a connected person and the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Disposal is subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. Mr. Lo and his associates will abstain from voting in respect of the proposed resolution approving the Disposal at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise and give recommendation to 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.

A circular containing, among other things, (i) further details of the Disposal; (ii) the recommendations of the Independent Board Committee; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee; and (iv) a notice convening the SGM, is expected to be dispatched by the Company to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

DEFINITIONS

“Agreement”	the conditional sale and purchase agreement dated 28 July 2010 entered into, between the Company as vendor and the Purchaser as purchaser in relation to the Disposal
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Aviation”	Business Aviation Asia Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of the Agreement
“Business Aviation (HK)”	Business Aviation Asia Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Business Aviation as at the date of the Agreement
“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
“Company”	Mongolia Energy Corporation Limited (stock code: 276), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Share and the Sale Loan in accordance with the terms and conditions of the Agreement and the performance of the transactions contemplated under the Agreement
“Disposed Group”	Business Aviation and Business Aviation (HK)
“Group”	the Company and its subsidiaries
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors to be formed to advise the Independent Shareholders on the fairness and reasonableness of the Disposal
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Lo and his associates
“Independent Third Party(ies)”	independent third party(ies) who, to the best of the Directors’ knowledge and information and having made all reasonable enquiries, is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	being the Transaction Consideration less the Share Consideration
“Mr. Lo”	Mr. Lo Lin Shing, Simon, being the chairman of the Board, an executive Director and a substantial Shareholder (through himself and his associates holding approximately 19.67% of the entire issued share capital of the Company as at the date of the Agreement)
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Co”	亞聯公務機有限公司, a company incorporated in the PRC with limited liability and owned as to 43% by Business Aviation (HK) as at the date of the Agreement
“PRC Group”	PRC Co and its subsidiaries
“Purchaser”	Wellington Equities Inc, a company incorporated in Panama and is wholly and beneficially owned by Mr. Lo
“Sale Loan”	the entire amount of the interest free shareholder’s loan owing from Business Aviation to the Company as at Completion which was HK\$44,511,160 as at the date of the Agreement
“Sale Share”	one (1) share representing the entire issued share capital of Business Aviation

“SGM”	a special general meeting of the Company to be convened to approve the Disposal
“Share(s)”	ordinary share(s) of HK\$0.02 each in the issued share capital of Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Consideration”	HK\$7.8, being the consideration for the Sale Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Consideration”	HK\$38,239,645 (subject to adjustments), being the aggregate purchase price for the Sale Share and the Sale Loan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 2 August 2010

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.