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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mongolia Energy Corporation Limited (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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MEC

MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

DISCLOSEABLE AND CONNECTED TRANSACTION

**Independent financial adviser to
the independent board committee and independent shareholders of the Company**



KBC Bank N.V. Hong Kong Branch

A letter from the independent board committee of the Company containing its recommendation to the independent shareholders of the Company is set out on page 10 of this circular. A letter from KBC Bank, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 11 to 15 of this circular.

A notice convening a special general meeting of the Company to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 30 August 2010 at 4:00 p.m. (or immediately after the conclusion of the special general meeting of the Company which is to be convened on the same day and at the same place at 3:15 p.m.) is set out on pages 22 to 23 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so wish.

13 August 2010

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	10
Letter from KBC Bank	11
Appendix — General information	16
Notice of SGM	22

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“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
“Announcement”	the announcement of the Company dated 2 August 2010 in relation to the Disposal
“associate(s)”	has the meaning ascribed thereto 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, Sunday and any public holiday 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 meaning ascribed thereto 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)

DEFINITIONS

“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 committee of the Board, comprising all the independent non-executive Directors, namely Mr. Peter Pun, Mr. Tsui Hing Chuen, William and Mr. Lau Wai Piu, established for the purpose of advising 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
“KBC Bank”	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Latest Practicable Date”	10 August 2010, being the latest practicable date prior to the printing date of this circular for ascertaining certain information for inclusion in this circular
“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)

DEFINITIONS

“NAV”	the aggregate of the assets of the Disposed Group (on a consolidated basis) as at the date of Completion less the aggregate of all liabilities (actual, contingent or otherwise but excluding shareholder’s loans and external loans) of the Disposed Group as at the date of Completion, in each case, as shown in the Completion Accounts (as defined in the Agreement)
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong and Macau Special Administrative Regions 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 interest free shareholder’s loan owing from Business Aviation to the Company as at Completion which was approximately 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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened at 4:00 p.m. (or immediately after the conclusion of the special general meeting of the Company which is to be convened on the same day and at the same place at 3:15 p.m.) on 30 August 2010 to consider and, if thought fit, to approve the Disposal
“Share Consideration”	HK\$7.8, being the consideration for the sale of the Sale Share
“Share(s)”	ordinary share(s) of HK\$0.02 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“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.

LETTER FROM THE BOARD

MEC

MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

Executive Directors:

Mr. Lo Lin Shing, Simon (*Chairman*)

Mr. Liu Zhuo Wei

Ms. Yvette Ong

Registered office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Non-executive Director:

Mr. To Hin Tsun, Gerald

*Head office and principal place
of business in Hong Kong:*

40th and 41st Floors

New World Tower 1

16–18 Queen's Road Central

Hong Kong

Independent non-executive Directors:

Mr. Peter Pun *OBE JP*

Mr. Tsui Hing Chuen, William *JP*

Mr. Lau Wai Piu

13 August 2010

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

By the Announcement, the Company announced that on 28 July 2010 (after trading hours), it entered into the Agreement with the Purchaser, pursuant to which the Company conditionally agreed to sell and assign, and the Purchaser 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. Business Aviation will cease to be a wholly-owned subsidiary of the Company and will become wholly-owned by the Purchaser upon Completion.

The purpose of this circular is to give you information relating to, among other things, (i) details of the Disposal; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Disposal; (iii) the advice from KBC Bank to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; and (iv) a notice convening the SGM at which resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Disposal.

LETTER FROM THE BOARD

THE AGREEMENT

Date

28 July 2010, after trading hours

Parties

- (i) the Company as vendor; and
- (ii) Wellington Equities Inc. as the 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 after taking into account the accumulated loss of the Disposal Group of approximately HK\$6.3 million and the shareholder's loan of approximately HK\$44.5 million as at the date of the Agreement and on the bases that the NAV 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 is more or less than HK\$38,239,645, the Transaction Consideration shall be adjusted upward or downward correspondingly.

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

LETTER FROM THE BOARD

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).

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

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.

LETTER FROM THE BOARD

Set out below is a summary of the unaudited consolidated financial information of the Disposed Group 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>
NAV	<u>38,240</u>	<u>38,983</u>

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

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, details of which were disclosed in the Company's circular dated 27 January 2010. The purchase of a new Falcon 900EX was also terminated in May 2010, details of which were disclosed in the Company's announcement dated 14 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.

Since the Transaction Consideration was based on the NAV of the Disposed Group on Completion, therefore apart from the necessary legal and professional costs incurred for the present transaction, there is no gain or loss as a result of the Disposal to the Group.

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

In view of the above, the Directors consider that the terms of the Agreement are on normal commercial terms and fair and reasonable, and the transactions contemplated under the Agreement are in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

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. Mr. Lo has also abstained from voting on the Board resolution approving the Disposal. To the best knowledge, information and belief of the Directors as at the Latest Practicable Date, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Mr. Lo and his associates; and (ii) no obligation or entitlement of Mr. Lo and his associates, whereby they have or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Peter Pun, Mr. Tsui Hing Chuen, William and Mr. Lau Wai Piu, has been established to advise the Independent Shareholders in relation to the Disposal. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Disposal is set out on page 10 of this circular.

KBC Bank has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal. The letter from KBC Bank containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal is set out on pages 11 to 15 of this circular.

SGM

Set out on pages 22 to 23 is a notice convening the SGM to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 30 August 2010 at 4:00 p.m. (or immediately after the conclusion of the special general meeting of the Company which is to be convened on the same day and at the same place at 3:15 p.m.) at which ordinary resolution will be proposed to consider and, if thought fit, approve the Disposal.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 10 of this circular and the letter from KBC Bank on pages 11 to 15 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Disposal as well as the principal factors and reasons taken into consideration in arriving at its advice. You are advised to read the letter from the Independent Board Committee and the letter from KBC Bank mentioned above before deciding how to vote at the SGM.

The Directors consider that the terms of the Disposal and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Disposal prepared for the purpose of incorporation in this circular.

MEC

MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

13 August 2010

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 13 August 2010 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Agreement and the transactions contemplated thereunder. KBC Bank has been appointed as the independent financial adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out on pages 11 to 15 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Agreement and the transactions contemplated thereunder and taking into account the independent advice of KBC Bank, in particular the principal factors, reasons and recommendation as set out in its letter, we consider that the terms of the Disposal and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned, and the entering into of the Agreement and the transactions contemplated thereunder are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,

Independent Board Committee

Peter Pun

Tsui Hing Chuen, William

Lau Wai Piu

Independent non-executive Directors

LETTER FROM KBC BANK

The following is the text of a letter received from KBC Bank setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal for the purpose of incorporation in this circular.



39th Floor
Central Plaza
18 Harbour Road
Hong Kong

13 August 2010

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the circular of the Company dated 13 August 2010 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 28 July 2010, the Company and the Purchaser entered into the Agreement, pursuant to which the Company conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan at the Transaction Consideration, which would be payable in cash upon Completion. As the applicable percentage ratios (as defined under the Listing Rules) are greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. By virtue of the Purchaser being a company wholly and beneficially owned by Mr. Lo, the chairman of the Board, an executive Director and a substantial Shareholder, the Purchaser is a connected person of the Company and, accordingly, the Disposal also constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. 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 Mr. Peter Pun, Mr. Tsui Hing Chuen, William and Mr. Lau Wai Piu, has been formed to advise the Independent Shareholders in respect of the Disposal. We, KBC Bank N.V. Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Disposal is conducted on normal commercial terms and in the ordinary and usual course of business of

LETTER FROM KBC BANK

the Group; (ii) the terms of the Agreement are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the Disposal is in the interests of the Company and the Shareholders as a whole.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things, (i) the Circular; (ii) the Agreement; and (iii) the Company's annual report for the year ended 31 March 2010 (the "Financial Report"). We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the directors and management of the Company that having made all reasonable enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, are true, complete and accurate in all material respects at the time they were made and continue to be so up to the date of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and their respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, we have taken into account the following principal factors:

1. Reasons for and benefits of the Disposal

The Group's development strategy to focus on the energy and related resources business

The Group is an energy and resources developer engaged in mine development and production, including exploration, mine design and extraction. Since its initial investment in the energy and related resources industry by acquiring 34,000 hectares of coal concession areas in Khushuut and Darvi, western Mongolia in 2007, the Group has continuously acquired natural resources concessions and invested in energy and related resources projects in Mongolia and the PRC, including acquisitions of additional coal, ferrous and non-ferrous metal resources concessions in Gants Mod, Olon Bulag, Govi-Altai and Banyan-Ulgii in western Mongolia during 2007 to 2009. As disclosed in the Financial Report, the Group currently owns approximately 330,000 hectares of concession areas for coal, ferrous and non-ferrous metal resources which have demonstrated approximately 149.2 million tonnes of JORC in-place coal resources, predominantly being premium coking coal.

LETTER FROM KBC BANK

The Group is currently focusing on its first coking coal mining project in Khushuut, western Mongolia (the “Khushuut Coking Coal Project”). In order to kick off the operation of the Khushuut Coking Coal Project, the Group has (i) awarded road works contracts for an aggregate sum of approximately RMB1,354 million to build, upgrade and pave the Khushuut Road of approximately 340 kilometres, which links the Khushuut mine site and its extension to the border of Xinjiang Uyghur Autonomous Region, the PRC to facilitate the transportation of its coal products upon commercial production; (ii) engaged Leighton LLC (a member of the Leighton Group, the world’s largest mining contractor) as the mining contractor for a term of 6 years with an estimated contract sum of approximately AUD273 million (subject to adjustments) for the management and operations of the Khushuut Coking Coal Project; and (iii) engaged other engineering professionals for the engineering and design of various coal processing equipments and power plants for the Khushuut Coking Coal Project. The mining operation of the Khushuut Coking Coal Project has commenced and commercial production is expected to commence in the later part of 2010 with the plan to reach an initial annual production capacity of 3 million tonnes of raw coal by the end of 2011 and to gradually increase its production rate to 5 to 6 million tonnes per annum.

Having considered that (i) the Group’s strong commitment (in terms of both financial and management resources) to its energy and related resources business; and (ii) the Disposal will provide an opportunity to the Group to free up its management and financial resources for its principal business, we are of the view that the Disposal is in line with the corporate strategy of the Group and is in the interests of the Company and the Shareholders as a whole.

The Group’s business strategy to divest of its non-core business

Since the initial acquisition of the coal concession areas in western Mongolia in 2007, the Group has shifted its principal business from property investments and charter flight business to the energy and related resources business. With a view to focusing its resources on its principal business, the Group has gradually disposed of its non-core property investments and charter flight business, including (i) the disposal of associated companies engaged in property development in the PRC in 2007; (ii) the disposal of investment properties in Hong Kong in 2008; (iii) the disposal of an aircraft in 2010; and (iv) the termination of purchase of a new aircraft in 2010.

In view of the facts that (i) the charter flight business has been accounted for as a discontinued operation of the Group (as stated in the Financial Report); (ii) the Group’s aircraft charter business does not have synergy to the Group’s current principal business; and (iii) the Group will cease to share further losses to be incurred by the PRC Group following the Disposal, we consider that the Disposal, which represents a natural step in the Group’s implementation of its development strategy to divest of its non-core aircraft charter business, is conducted on normal commercial terms and in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. Consideration

The Transaction Consideration was determined between the Company and the Purchaser after arm's length negotiation based on the Company's attributable interest in the Disposed Group (the "Attributable Interest") of HK\$38,239,645 (being the net liability value of the Disposed Group of HK\$6,271,515 adjusted by the Sale Loan of HK\$44,511,160 as at 31 March 2010). In the event that the Attributable Interest as set out in the Completion Accounts (as defined in the Agreement) differs from HK\$38,239,645, the Transaction Consideration shall be adjusted upwards or downwards accordingly.

We understand from the management of the Company that since (i) the Sale Share represents only an indirect 43% minority interest in the PRC Group; (ii) the Disposed Group recorded losses for the two years ended 31 March 2009 and 2010 as a result of the unsatisfactory financial performance of the PRC Group; and (iii) the uncertainty as to whether and when the PRC Group will turn around and become profitable remains, it will be difficult, if not possible, for the Group to identify any other third parties to purchase the Group's indirect minority stake in the PRC Group at a consideration which is comparable to the Transaction Consideration (which is based on the Attributable Interest). As such, we consider that the terms of the Agreement (including the Transaction Consideration) are fair and reasonable in so far as the Independent Shareholders are concerned.

3. Financial Impacts of the Disposal

(i) Earnings and net asset value

Since the Transaction Consideration is based on the Attributable Interest as at the date of Completion, saved for the relevant legal and professional expenses incurred in connection with the Disposal, no material gain or loss is expected to be recorded as a result of the Disposal. However, given that the PRC Group will no longer be accounted for as an associate of the Group after the Disposal, the Group's financial results will be improved by ceasing to share the losses of the PRC Group.

(ii) Gearing and working capital

According to the Financial Report, the Group's total borrowings amounted to approximately HK\$1,963 million (being the aggregate of the Group's convertible notes and loan notes of approximately HK\$1,850 million and HK\$113 million, respectively) and total assets amounted to approximately HK\$15,170 million as at 31 March 2010, the gearing ratio of the Group was approximately 12.9%. Assuming that the Attributable Interest on Completion is HK\$38,239,645, there will be no change in the Group's total borrowings and total assets as a result of the Disposal and, therefore, the Group's gearing ratio will remain unchanged.

LETTER FROM KBC BANK

CONCLUSION AND RECOMMENDATION

Having considered the principal factors referred from above, in particular,

- (i) the Disposal is in line with the Group's corporate strategy to focus on its energy and related resources business;
- (ii) the Disposal represents an attractive opportunity to the Group to realise its investment in the non-core business at a consideration based on the Attributable Interest; and
- (iii) the positive financial impact on the Group as a result of the Disposal,

we are of the view that (i) the Disposal is conducted on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) the terms of the Agreement are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,

For and on behalf of

KBC Bank N.V. Hong Kong Branch

Kenneth Chan

Head of Corporate Finance, Greater China

Gaston Lam

Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in the Shares

Name of Director	Capacity	Number of issued Shares interested or deemed to be interested	Number of underlying Shares interested or deemed to be interested	Total	Approximate percentage of the existing issued share capital of the Company
Mr. Lo	Beneficial owner	4,960,000 (Note 1)	6,000,000 (Note 1)	1,281,739,301	21.00%
	Interest of a controlled corporation	1,194,029,301 (Note 1)	75,000,000 (Note 2)		
	Interest of spouse	1,750,000 (Note 1)	—		
Ms. Yvette Ong	Beneficial owner	1,090,000	500,000 (Note 3)	1,590,000	0.03%
Mr. To Hin Tsun, Gerald	Beneficial owner	5,400,000	500,000 (Note 3)	5,900,000	0.10%
Mr. Tsui Hing Chuen, William	Beneficial owner	500,000	500,000 (Note 3)	1,000,000	0.02%
Mr. Peter Pun	Beneficial owner	—	500,000 (Note 3)	500,000	0.01%
Mr. Lau Wai Piu	Beneficial owner	201,200	500,000 (Note 3)	701,200	0.01%

Notes:

1. 4,960,000 Shares represent interest of Mr. Lo on an individual basis, while 1,194,029,301 Shares represent interest of Golden Infinity Co., Ltd. ("Golden Infinity"), a company incorporated in the British Virgin Islands, and wholly and beneficially owned by Mr. Lo. The remaining balance of 1,750,000 Shares represent interest of Ms. Ku Ming Mei, Rouisa ("Mrs. Lo"), the spouse of Mr. Lo. Accordingly, Mr. Lo is deemed to be interested in the Shares in which Golden Infinity and Mrs. Lo are interested by virtue of the SFO. 6,000,000 underlying Shares represent the new Shares to be issued to Mr. Lo upon the exercise of the share options which were granted to Mr. Lo on 9 April 2010 pursuant to the share option scheme of the Company adopted on 28 August 2002.
2. The 75,000,000 underlying Shares represent new Shares to be issued by the Company at the initial conversion price of HK\$4 per new Share (subject to adjustments) upon exercise in full of the conversion rights attaching to the convertible note to be issued by the Company to Golden Infinity pursuant to the subscription agreement dated 27 April 2010 entered into between the Company and Golden Infinity, details of which are set out in the Company's circular dated 30 July 2010.

Golden Infinity is wholly and beneficially owned by Mr. Lo. Accordingly, Mr. Lo is deemed to be interested in the underlying Shares in which Golden Infinity is interested.

3. These underlying Shares represent the new Shares to be issued to the respective Directors upon exercise of the share options which were granted to the respective Directors on 9 April 2010 pursuant to the share option scheme of the Company adopted on 28 August 2002.

Save as disclosed below, as at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Mr. Lo	Golden Infinity Co., Ltd.	Director

(b) Substantial Shareholders' interests or short positions in the Shares and underlying Shares

Save as disclosed below, as at the Latest Practicable Date, so far as is known to or can be ascertained after reasonable enquiries by the Directors or chief executive of the Company, no person, other than the Director or chief executive of the Company, had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company.

Name of Shareholder	Capacity and nature of interest	Number of Shares interested	Approximate percentage of the existing issued share capital of the Company
Mr. Liu Cheng Lin	Interest of a controlled corporation/Beneficial owner	1,525,000,000 (Note 1)	24.99%
Puraway Holdings Limited	Corporate	1,425,000,000 (Note 1)	23.35%
Ms. Ku Ming Mei, Rouisa	Beneficial/Interest of spouse	1,200,739,301 (Note 2)	19.67%
Golden Infinity Co., Ltd.	Corporate	1,194,029,301	19.56%
Dr. Cheng Kar Shun	Interest of a controlled corporation/Interest of spouse	394,670,000 (Note 3)	6.47%
Ms. Ip Mei Hing	Interest of a controlled corporation/Interest of spouse	394,670,000 (Note 3)	6.47%
Dato' Dr. Cheng Yu Tung	Beneficial/Interest of a controlled corporation	498,972,602 (Note 4)	8.18%
Chow Tai Fook Nominee Limited	Corporate	493,972,602 (Note 4)	8.09%

Notes:

- Mr. Liu Cheng Lin is interested in the entire issued share capital of Puraway Holdings Limited ("Puraway"). By virtue of the SFO, he is deemed to be interested in the 1,425,000,000 Shares held by Puraway. The 1,425,000,000 Shares held by Puraway represents 925,000,000 Shares and 500,000,000 underlying Shares. A maximum of 100,000,000 shares will be issued to Mr. Liu Cheng Lin following completion of the acquisition which was the subject of the circular of the Company dated 31 October 2008.
- Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo and accordingly, she is deemed to be interested in 1,200,739,301 Shares under the SFO.
- Dragon Noble Group Limited ("Dragon") is a company controlled by Dr. Cheng Kar Shun. By virtue of the SFO, he is deemed to be interested in the 325,570,000 Shares held by Dragon and the 69,100,000 Shares owned by Brighton Management Limited, a company wholly and beneficially owned by Ms. Ip Mei Hing, the spouse of Dr. Cheng Kar Shun.

4. Chow Tai Fook Nominee Limited (“CTF”) is a company controlled by Dato Dr. Cheng Yu Tung. By virtue of the SFO, he is deemed to be interested in the 493,972,602 Shares held by CTF. The 493,972,602 Shares held by CTF represents 220,000,000 Shares and 273,972,602 underlying Shares.

3. OTHER DISCLOSURE

- (a) As at the Latest Practicable Date, save as disclosed in the section headed “Disclosure of interests” above in this Appendix and paragraph 3(b) below, none of the Directors owned or controlled or were interested in any other Shares, convertible securities, warrants, options or derivatives of the Company.
- (b) On 9 April 2010, 6,000,000 options carrying right to subscribe for an aggregate of 6,000,000 Shares at HK\$4.110 per Share during the period from 12 April 2010 to 8 April 2015 were granted to Mr. Lo and 500,000 options carrying right to subscribe for an aggregate of 500,000 Shares at HK\$4.110 per Share during the period from 12 April 2010 to 8 April 2015 were granted to each of Ms. Yvette Ong, Mr. To Hin Tsun, Gerald, Mr. Peter Pun, Mr. Tsui Hing Chuen, William and Mr. Lau Wai Piu pursuant to the share option scheme of the Company. The consideration for such grant of options to each of the grantees is HK\$1.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement; (b) are continuous contracts with a notice period of 12 months or more; or (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contracts with any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. ARRANGEMENTS AFFECTING DIRECTORS AND DIRECTORS’ INTEREST IN CONTRACTS AND ASSETS

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2010 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) Save as disclosed in the circular of the Company dated 30 July 2010 and in this circular, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group and which is significant in relation to the business of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given advice or opinion contained in this circular:

Name	Qualifications
KBC Bank	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activities under the SFO

KBC Bank has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, KBC Bank did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, KBC Bank did not have any direct or indirect interest in any assets which have been, since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2010 (being the date to which the latest published audited accounts of the Company were made up.)

9. GENERAL

The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the head office and principal business of the Company in Hong Kong at 40th Floor, New World Tower 1, 16–18 Queen’s Road Central, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the letter of advice from KBC Bank, the text of which is set out in the section headed “Letter from KBC Bank” in this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (c) the written consent referred to in the paragraph headed “Expert and consent” in this appendix; and
- (d) the Agreement.

MEC

MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Mongolia Energy Corporation Limited (“MEC”) will be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 30 August 2010 at 4:00 p.m. (or immediately after the conclusion of the special general meeting of the Company which is to be convened on the same day and at the same place at 3:15 p.m.) for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (A) the entering into of the agreement (“Agreement”, a copy of which has been produced to the meeting and marked “A” and signed by the Chairman of the meeting for the purpose of identification) on 28 July 2010 by MEC as vendor and Wellington Equities Inc. (the “Purchaser”) as purchaser in relation to the sale to the Purchaser of the entire issued share capital of Business Aviation Asia Group Limited (“Business Aviation”) and the entire outstanding shareholder loan owing to the Company by Business Aviation for a total consideration of HK\$38,239,645 (subject to adjustments as provided in the Agreement) be and are hereby approved, confirmed and ratified and the performance of the transactions contemplated under the Agreement by the Company be and is hereby approved; and
- (B) the directors of the Company (the “Directors”) be and are hereby authorised to do all such acts and things, sign and execute all such further documents and take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to implement and/or give effect to or in connection with the Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 13 August 2010

NOTICE OF SGM

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
40th and 41st Floors
New World Tower 1
16–18 Queen’s Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of MEC.
2. A form of proxy for use at the SGM is enclosed. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, shall be delivered to the offices of MEC’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Delivery of a form of proxy will not preclude a member from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
3. In the case of joint holders of a share, if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of MEC in respect of such joint holding.
4. As at the date of this notice, the board of Directors 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.