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If you have sold or transferred all your shares in Mongolia Energy Corporation Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 276)

**DISCLOSEABLE TRANSACTION
ESTABLISHMENT OF A JOINT VENTURE COMPANY
AS AN INVESTMENT VEHICLE FOR
FUTURE ACQUISITION OF ENERGY AND RELATED PROJECTS
IN XINJIANG, CHINA**

A letter from the Board of Mongolia Energy Corporation Limited is set out on pages 4 to 13 of this circular.

September 20, 2007

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DEFINITIONS

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

“Board”	the board of Directors
“BVI”	British Virgin Islands
“Coal Mine”	the coal mine of over 34,000 hectares located in Khovd province in western Mongolia under the Initial Acquisition
“Company” or “MEC” or “Party A”	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
“Director(s)”	director(s) of the Company
“Exploration”	the exploration activities over the Coal Mine or the Further Mine Areas as the case may be in accordance with the advice of the Technical Adviser
“Further Acquisition”	the acquisition of the further mine areas of around 32,000 hectares with coal resources estimated at between 1 to 2 billion tonnes along with other ferrous and non-ferrous resources and located in Khovd Province of western Mongolia as announced by the Company on May 30, 2007
“Further Mine Areas”	the mine areas of around 32,000 hectares located in Khovd province of western Mongolia under the Further Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative region of the People’s Republic of China
“HIBOR”	Hong Kong Interbank Offered Rate
“Inferred Resources”	in accordance with International Standards, the prospecting based on site inferred resources of the Coal Mine as advised by the Technical Adviser
“Initial Acquisition”	the acquisition of the coal mine of over 34,000 hectares with coal resources estimated at 2.4 billion tonnes and located in Khovd Province of western Mongolia as announced by the Company on February 7, 2007

DEFINITIONS

“International Standards”	the Guidelines to the United Nation International Framework Classification for Reserves/Resources adopted by UN ECE Committee on Sustainable Energy, Eleventh session, 21-22 November, 2001 as modified from time to time
“Joint Venture Agreement”	the joint venture agreement entered into between Party A, Party B and Party B Guarantor on August 31, 2007 to establish the Joint Venture Company for future acquisition of energy and related projects in Xinjiang, PRC
“Joint Venture Company”	Upper Easy Enterprises Limited, a company incorporated under the laws of British Virgin Islands which is the joint venture company set up pursuant to the Joint Venture Agreement and is owned as to 20% by MEC and 80% by Party B
“Latest Practicable Date”	September 14, 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minerals Law”	the revised Mineral Laws of Mongolia adopted on July 8, 2006 as amended, modified or replaced, from time to time
“Mongolia”	the independent sovereign nation of Mongolia
“Parties”	Party A and Party B
“Party A’s Contribution”	the contribution of HK\$200 million equivalent of RMB by Party A to the Joint Venture Company in the form of a loan pursuant to the Joint Venture Agreement
“Party B Guarantor”	Mr. Liu Cheng Lin, as guarantor of the obligations of Party B under the Joint Venture Agreement
“PRC”	the People’s Republic of China
“Reconnaissance Resources”	in accordance with International Standards, the reconnaissance based on site reconnaissance resources of the Coal Mine as advised by the Technical Adviser
“Resources”	the Inferred Resources and the Reconnaissance Resources

DEFINITIONS

“SFO”	Securities and Futures Ordinance
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.02 each in the share capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Team 129”	Team 129 of China Coal Geology Bureau, the exploration company of the Company
“Technical Adviser”	John T. Boyd Company, the independent technical adviser to the Company
“RMB”	Renminbi, the lawful currency of the PRC



MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 276)

Executive Directors:

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

Ms. Yvette Ong

Non-executive Director:

Mr. To Hin Tsun, Gerald

Independent non-executive Directors:

Mr. Peter Pun, *OBE, JP*

Mr. Tsui Hing Chuen, *William, JP*

Mr. Lau Wai Piu

Registered office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

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

Rooms 1502-5

New World Tower 1

16-18 Queen's Road Central

Hong Kong

September 20, 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
ESTABLISHMENT OF A JOINT VENTURE COMPANY
AS AN INVESTMENT VEHICLE FOR
FUTURE ACQUISITION OF ENERGY AND RELATED PROJECTS
IN XINJIANG, CHINA**

INTRODUCTION

MEC announced that on August 31, 2007, it entered into a joint venture agreement with Mount Billion Group Limited and Mr. Liu Cheng Lin to establish Upper Easy Enterprises Limited owned as to twenty percent (20%) by MEC and eighty percent (80%) by Mount Billion Group Limited. This distribution is in accordance with the terms and provisions of the co-investment opportunity agreement as detailed under MEC's announcement of August 13, 2007.

LETTER FROM THE BOARD

THE JOINT VENTURE AGREEMENT

Date: August 31, 2007

- Parties:
1. MEC (as Party A)
 2. Mount Billion Group Limited (incorporated under the laws of British Virgin Islands) (as Party B)
 3. Mr. Liu Cheng Lin, legal and beneficial owner of 100% of Party B, as guarantor of the obligations of Party B (as Party B Guarantor)
 4. Upper Easy Enterprises Limited (incorporated under the laws of British Virgin Islands) (as Joint Venture Company)

PRINCIPAL TERMS

Purpose of the Joint Venture Agreement

The Joint Venture Company as a joint investment vehicle to acquire certain energy and related projects in Xinjiang, PRC (collectively the “**Project**”), with the view of maximizing the returns to the Parties under the Joint Venture Agreement. The Project shall be secured within six (6) months from the date of the Joint Venture Agreement and MEC will make an announcement by such time as to whether the Project has proceeded ahead.

Contributions from the Parties

MEC (as Party A) (and/or its nominee) is required, under the terms of the Joint Venture Agreement, to contribute HK\$200 million equivalent of RMB to the Joint Venture Company in the form of a loan. The loan will carry an interest rate of HIBOR+2.5% per annum. MEC shall fund the payment by internal resources.

Party B (and/or its nominee) is required, under the terms of the Joint Venture Agreement to contribute services rendered outside Hong Kong, in securing a Project for the Joint Venture Company using up to Party A’s Contribution to the Joint Venture Company.

The contribution is on the basis that Party A and Party B are equity holders of 20% and 80% interest in the Joint Venture Company respectively and it is Party A’s obligations to lend HK\$200 million equivalent in RMB to the Joint Venture Company and Party’s B obligations to use this up to HK\$200 million equivalent in RMB to bring to the Joint Venture Company a Project with a value of HK\$1 billion.

Apart from the loan mentioned above, Party A and the Joint Venture Company are not required to contribute further sum for the acquisition of the Project with a value of HK\$1 billion.

LETTER FROM THE BOARD

The future funding relating to the operation of the Project shall be provided by the Parties according to their respective equity interests in the Joint Venture Company or by way of external banking facilities.

The value of the Project and determination of resources

The Project shall have a value of at least HK\$1 billion on such basis acceptable to Party A, which, namely, will be HK\$12.00 for per tonne of coal resources and 3% for per tonne of other resources by reference to prevailing international market price as determined by Party A on such basis in good faith. The amount of the resources for determining the value of the Project under the Joint Venture Agreement shall be the resources figures confirmed by a relevant team under China Coal Geology Bureau or such other exploration company selected with the advice from John T. Boyd Company as overall independent technical adviser of Party A as selected by Party A in good faith.

Adjustments in case of excess and shortfall in value

In the event that the value of the Project exceeds HK\$1 billion, under the terms of the Joint Venture Agreement, Party A has the right to elect on a *pro rata* basis to pay Party B for the excess (based on equity ratio) or to adjust the shareholding of Party A in the Joint Venture Company (based on Party A's contribution and the value of the Project).

In the event that the value of the Project is below HK\$1 billion, under the terms of the Joint Venture Agreement, Party A may elect not to proceed ahead with the transaction and be refunded the Party A's Contribution (with interest at HIBOR+ 2.5% per annum) with Party B Guarantor as deficiency guarantor, or to adjust Party A's shareholding in the Joint Venture Company (based on Party A's contribution and the value of the Project).

Performance Obligations

The Parties shall perform their respective obligations for the purpose of the Joint Venture to acquire the Project within 6 months from the date of the Joint Venture Agreement (the "**Time**").

In the event that the purpose of the Joint Venture Agreement to acquire the Project is not fulfilled by any Party within the Time for any reasons whatsoever, the Parties shall enter into all requisite agreements to unwind the transactions pursuant to this Joint Venture Agreement within one (1) month of Party A certifying to Party B that transactions pursuant to this Joint Venture Agreement should be unwound under a written notice from Party A to Party B.

In case of any unwinding of the transactions pursuant to this Joint Venture Agreement, Party A shall be entitled to full return of the Party A's Contribution (with interest at HIBOR +2.5%). Party B undertakes to provide any deficiency to Party A (and/or its nominee) in case the unwinding of any transaction under this Joint Venture Agreement is unable to provide Party A with the full amount of the Party A's Contribution (with interest at HIBOR +2.5%) as at the latest date for unwinding of the transactions.

LETTER FROM THE BOARD

Board composition

The board of directors of the Joint Venture Company shall consist of five directors, one (1) of whom shall be appointed by Party A and four (4) of whom shall be appointed by Party B provided that:–

- (1) any disposal of the Project or any part thereof, otherwise than in the ordinary course of business, or in excess of HK\$10 million or its equivalent, requires prior approval of the Parties;
- (2) any financing of the Project or any part thereof, otherwise than in the ordinary course of business, or in excess of HK\$10 million or its equivalent requires prior approval of the Parties;
- (3) all payments or incurring of obligations otherwise than in the ordinary course of business, or in excess of HK\$10 million or its equivalent requires prior approval of the Parties; and
- (4) further, any transfer of shares in the Joint Venture Company shall be approved by the board of directors of the Joint Venture Company, only after the shareholder proposing to transfer the shares has offered the other shareholders (on a pro-rata basis in case there is more than one shareholders) the shares proposing to be transferred, in a notice in writing to the other shareholders, at the proposed transfer price, and the other shareholders deciding not to take up the purchase at the proposed transfer price within 30 days of receipt of such notice of writing from the proposed transferring shareholder, whereupon the shares may be transferred to a third party at the proposed transfer price, subject to the third party entering into a deed of adherence to this Joint Venture Agreement.

Profit sharing

The board of directors of the Joint Venture Company shall procure that any Project net cashflow, to the extent permissible under applicable PRC laws and regulations, to be applied towards repayment of Party A's Contribution and interest thereon and thereafter, to be distributed to the Parties in accordance with their respective interest in the Joint Venture Company, under such distribution and dividend policy acceptable to the Parties and in the event of dispute, would be based on distribution of all sums to the extent permissible under applicable laws.

Conditions precedent

The Joint Venture Agreement requires the Parties to take all steps in good faith required of them to comply with all applicable rules, regulations and laws binding upon the Joint Venture Company.

Term

The Joint Venture Agreement shall have a term for the duration of the Project.

LETTER FROM THE BOARD

Guarantee

The Party B Guarantor unconditionally and irrevocably guarantees to Party A and the Joint Venture Company the due and punctual payment and performance by Party B of its obligations under this Joint Venture Agreement and undertakes to indemnify and keep indemnified Party A and the Joint Venture Company against all losses, damages, costs and expenses of whatsoever nature which Party A and/or the Joint Venture Company may suffer or incur by reason of any default or unreasonable delay on the part of Party B in the performance of any of its obligations under the Joint Venture Agreement.

As MEC has business relationship with the Party B Guarantor under previous transactions and the Party B Guarantor has provided guarantee for Party B's due performance of obligations in the Joint Venture Agreement, the directors of MEC found the risks of provision of the loan under the Joint Venture Agreement acceptable.

REASONS FOR ENTERING INTO THE JOINT VENTURE AGREEMENT

The Joint Venture Company is intended to be an investment vehicle to acquire certain energy and related projects from Xinjiang, China with the view of maximizing the returns of the Parties under the Joint Venture Agreement.

MEC has been actively considering to expand its energy and resources sector business into Xinjiang which MEC believes has synergy to its current energy and resources sector business in Mongolia. This synergy arises by reason that Xinjiang will be the leading market place for the energy and resources products of MEC and gaining a foothold for eventual expansion of the market share of MEC in Xinjiang makes commercial sense to MEC.

Taking into account the bases set forth above and the terms of the Joint Venture Agreement, in particular, (i) the value of the Project is determined at a value of HK\$12.00 per tonne for coal resources and 3% of the prevailing international market price per tonne for other resources which the Board is of the view that these are very favourable terms to MEC based on the commercial model used in the acquisition of a further coal mine of 32,000 hectares in western Mongolia (as set out on page 14 of the MEC's circular dated June 25, 2007); (ii) the Company is entitled to the repayment of Party A's Contribution together with interest thereon prior to any payment of dividend to the Parties by the Joint Venture Company; and (iii) apart from the loan mentioned above, Party A and the Joint Venture Company are not required to contribute further sum for the acquisition of the Project with a value of HK\$1 billion, the Board is of the view that the entering into of the Joint Venture Agreement is in the interest of MEC and its shareholders as a whole.

FINANCIAL EFFECTS ON THE FORMATION OF THE JOINT VENTURE COMPANY

There is no impact on earnings and liabilities on the Group upon formation of the Joint Venture Company. The non-current assets of the Group will increase while the current assets of the Group will decrease by the same amount as a consequence of the formation of the Joint Venture Company under the Agreement. The Joint Venture Company will be treated as an associated company of MEC and will be equity accounted for in the Group's consolidated financial statements.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

MEC

MEC, formerly known as New World Cyberbase Limited, was established in August 1999 and headquartered in Hong Kong. Through the purchase of concessions in western Mongolia, MEC is in a strong position to capitalize on the demands of China, including for coal, coal products and energy along with other resources (including ferrous and non-ferrous metal resources).

MEC has already acquired the exploration concessions of around 32,000 hectares (around 1/3rd the size of Hong Kong SAR) as detailed under MEC's circular of June 25, 2007 for coal, ferrous and non-ferrous metal resources.

MEC is in the process of acquiring further exploration and mining concessions of around 34,000 hectares (another around 1/3rd the size of Hong Kong SAR) as detailed under MEC's circulars of March 22, 2007 and June 25, 2007.

In addition, the Group is also engaged in property investments in Hong Kong and aircraft charter services.

Party B and Party B Guarantor

Party B is a BVI company wholly-owned by the Party B Guarantor. Party B Guarantor is a private business person based in Beijing, PRC and spends most of his time living in Beijing. Party B Guarantor previously acquired control of undeveloped real estate in various locations in the PRC, including Shenyang, and intended to become a joint venture party with an appropriate developer partner.

Party B Guarantor is a party to the initial acquisition of the 34,000 hectares of exploration and mining concessions which MEC is acquiring as detailed under MEC's circulars of March 22, 2007 and June 25, 2007. Upon completion of the initial acquisition, Party B Guarantor will become a shareholder of MEC.

Party B Guarantor is also a party to the further acquisition of the 32,000 hectares of exploration concessions which MEC acquired the titles on July 16, 2007.

Party B Guarantor is scheduled to become a substantial shareholder of MEC on or prior to January 30, 2008. As of the date of the Joint Venture Agreement, Party B and the Party B Guarantor are not connected persons to the best knowledge of the Directors under the definitions of the Listing Rules.

LETTER FROM THE BOARD

GENERAL INFORMATION OF THE INITIAL ACQUISITION AND THE FURTHER ACQUISITION

The Company has two major acquisitions in relation to coal, ferrous and non-ferrous resources since the beginning of 2007, namely the Initial Acquisition and the Further Acquisition.

The Initial Acquisition

The geology of the Coal Mine (as with the Further Mine Areas) sits on Permian rock formation of some 240 million years of age. According to the Russian geologists' geological assessment over the Coal Mine conducted in the 1960s, the Coal Mine has coal resources of 2.4 billion tonnes. This is subject to Exploration.

The Technical Adviser has based on the available geological information over 180 hectares of the Initial Mine Areas and a site visit to this area, advised that this area as extended could have resources of about 180 million tonnes comprising Inferred Resources of about 30 million tonnes and Reconnaissance Resources of about 150 million tonnes.

The Initial Acquisition is by way of acquiring from the seller (as detailed in the circulars of the Company of March 22 and June 25, 2007) 8 mining licences and 1 exploration licence along with any mining assets. The mining licences are for an initial period of 30 years from their respective dates of grant and extendable by two successive 20-year periods in accordance with the Minerals Law. That is, 70 years in total. The exploration licence is initially granted for 3 years and extendable by two successive 3-year period in accordance with the Minerals Law. That is, 9 years in total.

The details of the mining licences and the exploration licence under the Initial Acquisition are summarized in the table below:–

License/License No.	Mining and Exploration Licenses	
	Area Hectares	Valid Period
Mining Licenses		
1640A	40	70 years since 2002
4322A	54	70 years since 2002
6525A	46	70 years since 2003
11887A	203	70 years since 2006
11888A	1,742	70 years since 2006
1414A	28	70 years since 1998
11889A	486	70 years since 2006
11890A	28	70 years since 2006
Subtotal Mining Licenses	2,627	
Exploration License		
11515X	31,638	9 years since 2006
Subtotal Exploration Licenses	31,638	
Total Mining/ Exploration Licences	34,265	

LETTER FROM THE BOARD

The Company intends prior to completion of the Initial Acquisition to set up initially a 2 million tonnes mining operations within the area containing the Inferred Resources of about 30 million tonnes. The Shenyang Design Institute has indicated that such mining operations can be supported and will design an interphase for a 10 million tonnes mining operations upon further resources being demonstrated under the Exploration.

Progress of Exploration and Commercial Exploitation under the Coal Mine Acquisition

As announced by the Company on August 24, 2007. The Company has received and reviewed the exploration work progress report from Team 129 over an initial exploration area of 300 hectares out of 34,000 hectares (around 1/3rd the size of Hong Kong SAR) of the concessions areas in Western Mongolia, summarising the work progress by Team 129 up to August 14, 2007. For ease of reference, 300 hectares is 3 square kilometers and 34,000 hectares is 340 square kilometers. In summary, the initial exploration area of 300 hectares out of 34,000 hectares of the concession areas in Western Mongolia contains 340.28 million tonnes of coal resources. Further, there is certain amount of coking coal. The coal is currently being sampled for further analytical data in the usual course of exploration.

Team 129 is in the process of expanding the exploration work areas to the adjacent areas of around 4,000 hectares for further coal resources. The Company will report any further work progress report and closing of the Initial Acquisition is anticipated in due course.

The Further Acquisition

The Further Mine Areas are around 32,000 hectares in size (around 1/3rd the size of Hong Kong SAR).

LETTER FROM THE BOARD

The details of the exploration licences are summarized in the table below:

The Exploration Licences			
Licence (Licence no.)	Location	Mine Area (Hectare)*	Licence Period#
8976X	Western Mongolia	26,033	9 years since 2004
8994X	Western Mongolia	39	9 years since 2004
11628X	Western Mongolia	3,519	9 years since 2006
11724X	Western Mongolia	<u>2,112</u>	9 years since 2006
Total Hectares		<u><u>31,703</u></u>	

* *1 Hectare = 10,000 square metres. That is an area of 100m x 100m.*

The Exploration Licences are for 3 years with two further extensions of 3 years.

With the exception of exploration licence no.8994X which is located adjacent to the Coal Mine, the Further Mine Areas are located in Khovd province, western Mongolia approximately within a 100 km radius from the Coal Mine and will serve as a feeder to the Coal Mine in relation to the coal resources where coal fired generation facilities (that is, power plants) and power lines for inter-connection with the electricity grid to Xinjiang is being studied.

The Further Acquisition is by way of acquiring from the seller (as detailed in the circular of the Company dated June 25, 2007) four (4) exploration licences over the Further Mine Areas along with the mining assets, (if any).

The exploration licences have a 9-year duration from their respective licence dates. Mongolian legal counsel has advised that there is no legal impediment to converting such exploration licences to 70-year mining licences with a corresponding 70-year mining period subject to compliance with the Minerals Law.

In terms of coal Resources under the Further Mine Areas, the Science Academy under the Institute of Geology and Mineral Resources of Mongolia has confirmed that based on Russian expert's geological assessment of most of the Further Mine Areas conducted during the 1960's that there are between 1 billion to 2 billion tonnes of coal resources. This is subject to Exploration.

Accordingly, the combined coal Resources under the Initial Acquisition and the Further Acquisition are thus between 3.4 billion to 4.4 billion tonnes of coal resources. These estimates are subject to Exploration.

LETTER FROM THE BOARD

The Further Acquisition was sanctioned by the Shareholders at the special general meeting held on July 16, 2006. Closing of the Further Acquisition also took place on the same date and the Company acquired all titles and possession to the Further Mine Areas, through MoEnCo LLC, an indirect wholly owned subsidiary of the Company established in Mongolia. The Company is the beneficial owner of four exploration licences and related resources over the Further Mine Areas which can eventually be converted into 70-year mining concessions in accordance with the Minerals Law. Subject to the completion of the Coal Mine Acquisition, the aggregate mine areas acquired by the Group will be around 66,000 hectares (around 2/3rd the size of Hong Kong SAR).

The Company intends to commence Exploration over the Further Mine Areas as soon as possible.

DISCLOSEABLE TRANSACTION

The entering into the Joint Venture Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

CAUTION WHEN DEALING IN SHARES OF MEC

As there is no assurance of the acquisition of any Project under the Joint Venture Agreement shareholders and potential investors of MEC should exercise caution when dealing in the shares of MEC.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) 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, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of Shares interested	Approximate percentage of shareholding
Mr. Lo Lin Shing, Simon ("Mr. Lo")	Beneficial owner/ Interest of a controlled corporation	1,168,912,301 (Note)	44.67%
Ms. Yvette Ong	Beneficial owner	1,790,000	0.06%
Mr. To Hin Tsun, Gerald	Beneficial owner	3,000,000	0.11%
Mr. Tsui Hing Chuen, William	Beneficial owner	500,000	0.01%
Mr. Lau Wai Piu	Beneficial owner	601,200	0.02%

Note: Among the 1,168,912,301 Shares, 4,960,000 Shares represent interest of Mr. Lo on an individual basis; while 1,163,952,301 Shares represent interest of Golden Infinity Co., Ltd (“Golden”). Accordingly, Mr. Lo is deemed to be interested in the Shares in which Golden is interested by virtue of the SFO. The 1,163,952,301 Shares which Golden is interested comprise, 383,952,301 Shares held by Golden and 780,000,000 Shares which will be issued to Golden upon completion of a subscription agreement dated January 30, 2007 entered into between the Company and Golden.

Save as disclosed above, 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 were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) 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.

(b) Substantial shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the Shares or/and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name	Long Position in Shares/Underlying Shares	Short Position in Shares/Underlying Shares	Capacity	Approximate percentage of the Company's total issued share capital
Mr. Liu Cheng Lin ("Mr. Liu")	1,625,000,000 (Note 1)	–	Interest of a controlled corporation	62.10%
Puraway Holdings Limited ("Puraway")	1,625,000,000 (Note 1)	–	Corporate	62.10%
Madam Ku Ming Mei, Rouisa	1,168,913,458 (Note 2)	–	Interest of spouse	44.67%
Golden Infinity Co., Ltd.	1,163,952,301	–	Corporate	44.48%
Taifook (BVI) Limited	1,100,000,000 (Note 3)	1,100,000,000 (Note 3)	Interest of a controlled corporation	42.04%(L) 42.04%(S)
Taifook Finance Company Limited	1,100,000,000 (Note 3)	1,100,000,000 (Note 3)	Interest of a controlled corporation	42.04%(L) 42.04%(S)
Taifook Securities Company Limited	1,100,000,000 (Note 3)	1,100,000,000 (Note 3)	Corporate	42.04%(L) 42.04%(S)
Taifook Securities Group Limited	1,100,000,000 (Note 3)	1,100,000,000 (Note 3)	Interest of a controlled corporation	42.04%(L) 42.04%(S)
Dr. Cheng Kar Shun	362,500,000 (Note 4)	–	Interest of a controlled corporation/ Interest of spouse	13.85%

Name	Long Position in Shares/Underlying Shares	Short Position in Shares/Underlying Shares	Capacity	Approximate percentage of the Company's total issued share capital
Dragon Noble Group Limited ("Dragon")	312,500,000 (Note 4)	–	Corporate	11.94%
Ms. Ip Mei Hing	362,500,000 (Note 4)	–	Interest of a controlled corporation/ Interest of spouse	13.85%
Mr. Law Ka Keung	341,666,666 (Note 5)	–	Interest of a controlled corporation	13.05%
Keswick Agents Limited ("Keswick")	341,666,666 (Note 5)	–	Corporate	13.05%
Dato' Dr. Cheng Yu Tung	220,000,000 (Note 6)	–	Interest of a controlled corporation	8.40%
Chow Tai Fook Nominee Limited ("CTF")	220,000,000 (Note 6)	–	Corporate	8.40%
Mr. Han Yuanlin	210,493,478 (Note 7)	–	Interest of a controlled corporation	8.04%
Visionary Profits Limited ("Visionary Profits")	210,493,478 (Note 7)	–	Corporate	8.04%
Mr. Ng Chun Ping, Brendan	194,444,442 (Note 8)	–	Interest of a controlled corporation	7.43%
Better Year Investments Limited ("Better Year")	194,444,442 (Note 8)	–	Corporate	7.43%
The Goldman Sachs Group, Inc.	603,635,000	540,000,000	Corporate	23.07%(L) 20.63%(S)
Mr. Ho Hau Chong, Norman	512,675,000 (Note 9)	340,000,000	Beneficiary of a trust	19.59%(L) 13.00%(S)
Honorway Nominees Limited	512,675,000 (Note 9)	340,000,000	Trustee	19.59%(L) 13.00%(S)

Notes:–

1. Mr. Liu Cheng Lin is interested in the entire issued share capital of the Puraway. By virtue of the SFO, he is deemed to be interested in the 1,625,000,000 new Shares to be issued upon completion of the acquisition agreement dated January 30, 2007 entered into between the Company and inter alia Mr. Liu (the “Acquisition Agreement”). The 1,625,000,000 new Shares to be issued to the Puraway represents 1,125,000,000 new Shares and 500,000,000 underlying Shares which may be issued upon conversion of the 3% convertible bond of the Company with maturity on the third anniversary from the date of the issue of the convertible bond, as part of the consideration deferred under the Acquisition Agreement.
2. Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo and accordingly, she is deemed to be interested in 1,168,913,458 Shares under the SFO.
3. The Shares represent the number of Shares agreed to be underwritten by Taifook Securities Company Limited (“Taifook Securities”) pursuant to the placement agreement dated January 30, 2007. Taifook Securities Group Limited is interested in the entire issued share capital of Taifook (BVI) Limited. Taifook (BVI) Limited is interested in the entire issued share capital of Taifook Finance Company Limited. Taifook Finance Company Limited is interested in the entire issued share capital of the Taifook Securities. By virtue of the SFO, each of Taifook Securities Group Limited, Taifook (BVI) Limited and Taifook Finance Company Limited is deemed to be interested in the Shares Tai Fook Securities is interested in.
4. Dr. Cheng Kar Shun is interested in the entire issued share capital of Dragon. By virtue of the SFO, he is deemed to be interested in the 312,500,000 Shares held by Dragon and the 200,000,000 new Shares to be issued to Dragon upon completion of the subscription agreement dated January 30, 2007, entered into between Dragon and the Company. The 50,000,000 Shares are owned by Madam Ip Mei Hing, the spouse of Dr. Cheng Kar Chun.
5. Mr. Law Ka Keung is interested in the entire issued share capital of Keswick. By virtue of the SFO, he is deemed to be interested in the 166,666,666 Shares held by Keswick and the 175,000,000 Shares which was interested by Keswick as a sub-underwriter of the placing agreement dated January 30, 2007 entered into between Taifook Securities and the Company.
6. Dato’ Dr. Cheng Yu Tung is interested in the entire issued share capital of CTF. By virtue of the SFO, he is deemed to be interested in the 20,000,000 Shares held by CTF and the 200,000,000 new shares to be issued to CTF upon completion of the subscription agreement dated January 30, 2007 entered into between CTF and the Company by virtue of the SFO.
7. Mr. Han Yuanlin is interested in the entire issued share capital of Visionary Profits. By virtue of the SFO, Mr. Han Yuanlin is deemed to be interested in the 210,493,478 Shares held by Visionary Profits.
8. Mr. Ng Chun Ping, Brendan is interested in the entire issued share capital of Better Year. By virtue of the SFO, he is deemed to be interested in the 194,444,442 Shares held by Better Year.
9. Honorway Nominees Limited holds the long and short positions in Shares/Underlying Shares in trust for Mr. Ho Hau Chong, Norman.

Abbreviations:–

“L” stands for long position

“S” stands for short position

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors, no other person had, or was deemed or taken to have an interest or short position in the Shares and 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, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any member of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and their respective associates were considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses 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.

6. GENERAL

- (i) The secretary of the Company is Mr. Tang Chi Kei, *CPA*. The qualified accountant of the Company is Mr. Kwok Ying Tung, Daniel, *ACCA*.
- (ii) The principal place of business of the Company in Hong Kong is at Rooms 1502-5, New World Tower 1, 16-18 Queen's Road Central, Hong Kong.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Standard Limited at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (iv) The English text of this circular shall prevail over its Chinese text.