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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

MAJOR TRANSACTION

DISPOSAL OF THE ENTIRE INTEREST IN BAA JET MANAGEMENT LIMITED

DISPOSAL OF BAA

On December 5, 2007, Business Aviation, a wholly-owned subsidiary of the Company, MMHL and STS as vendors entered into the Agreement with the Purchaser whereby the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the entire issued share capital of BAA for an aggregate consideration of HK\$15,001,000.

BAA is owned as to 40.1%, 30% and 29.9% by Business Aviation, MMHL and STS respectively. The Consideration for the Sale Shares is HK\$6,015,401, representing 40.1% of the aggregate consideration payable by the Purchaser to the Vendors, and which will be paid as to HK\$601,540 by way deposit within 21 days after the date of the Agreement and as to HK\$5,413,861 upon Completion.

The Purchaser is owned as to 43% by Business Aviation, 46% by Shenzhen Airlines and 11% by National Trust.

SGM

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and requires the approval by the Shareholders at the SGM. The SGM will be convened for the Shareholders to consider and, if thought fit, approve the Disposal. A circular containing, among other things, further details of the Disposal, financial information relating to the Group, the notice of the SGM and other information as required under the Listing Rules, will be despatched to the Shareholders as soon as practicable.

THE AGREEMENT

Date: December 5, 2007

Parties:

Vendors:

- (1) Business Aviation, a wholly-owned subsidiary of the Company;
- (2) MMHL, an Independent Third Party; and
- (3) STS, an Independent Third Party.

Purchaser: Asia United Business Aviation Ltd., a company incorporated in the PRC with limited liability. The Purchaser is owned as to 43% by Business Aviation, 46% by Shenzhen Airlines and 11% by National Trust. Shenzhen Airlines and National Trust, together with their ultimate beneficial owners, are to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, independent of the Company and connected persons of the Company. The Purchaser is principally engaged in the business of aircraft management and provision of charter flight services in PRC.

Assets to be disposed of by Business Aviation:

The Sale Shares, representing 40.1% of the entire issued share capital of BAA.

Consideration

Pursuant to the Agreement, the Consideration in respect of the Sale Shares of HK\$6,015,401 shall be paid by the Purchaser to Business Aviation in the following manner:–

- (1) a deposit of HK\$601,540 will be paid in cash within 21 days after the signing of the Agreement, which deposit will be applied as part payment of the Consideration upon Completion; and
- (2) the remaining balance of HK\$5,413,861 will be paid in cash upon Completion.

The Purchaser will also pay deposits of HK\$450,000 and HK\$448,500 to MMHL and STS respectively simultaneously with payment of the aforesaid deposit to Business Aviation, and the remaining balance of the consideration to them upon Completion.

The consideration for the entire issued share capital of BAA was determined between the Vendors and the Purchaser after arm's length negotiations having taken into account the amount invested by the Vendors in BAA because BAA recorded a net deficit and a net loss for each of the two years ended March 31, 2006 and 2007; therefore, the Company considers it inappropriate to make reference to the market value of assets owned by BAA or price earning ratio when determining the Consideration. The Consideration in respect of the Sale Shares is equal to their book value of HK\$6,015,401 as at March 31, 2007.

Conditions precedent

Completion shall be conditional upon:

- (a) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules and the applicable laws) at the SGM to approve the Disposal; and
- (b) all necessary consents and approvals (or waivers) having been obtained by the parties to the Agreement for completion of the transactions contemplated under the Agreement, including but not limited to:–
 - (i) the approval or consent from the Ministry of Commerce of the PRC, all other relevant authorities in the PRC and the shareholders of the Purchaser in respect of its purchase of the entire issued share capital of BAA; and
 - (ii) the approval or consent from the State Administration of Foreign Exchange of the PRC or its local branch on the payment of the aggregate consideration by the Purchaser to the Vendors pursuant to the terms of the Agreement.

If the above conditions are not fulfilled by March 31, 2008, all rights, obligations and liabilities of the parties to the Agreement shall cease and terminate provided that the Vendors shall refund the deposits to the Purchaser without compensation, interest and cost if the refund is made within seven (7) days and none of the parties to the Agreement shall have any claim against the others (without prejudice to the rights of the parties thereto in respect of any antecedent breaches).

Completion

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

INFORMATION ON BAA

BAA is principally engaged in the business of aircraft management and provision of charter flight services. It has a wholly-owned subsidiary, BAA Flight Services Limited, which is principally engaged in the provision of flight services.

Upon Completion, Business Aviation will cease to own 40.1% of BAA directly but will own indirectly 43% of BAA through the Purchaser. BAA is an associated company of the Company, and is and will be accounted in the accounting books of the Company by equity method of accounting before and after the Disposal.

Set out below is the unaudited consolidated financial information of the BAA Group for each of the two years ended March 31, 2006 and 2007 prepared in accordance with the HKFRS:

	Year ended March 31,	
	2007	2006
	<i>HK\$'million</i>	<i>HK\$'million</i>
Turnover	40.4	4.6
Loss before taxation	(5.3)	(2.3)
Loss after taxation	(5.3)	(2.3)
	As at March 31,	
	2007	2006
	<i>HK\$'million</i>	<i>HK\$'million</i>
Total assets ¹	29.4	23.7
Total liabilities ²	(37.1)	(26.0)
Net liabilities	(7.7)	(2.3)

Notes:

1. The total assets as at March 31, 2007 comprised trade and other receivables of approximately HK\$27.2 million and fixed assets of approximately HK\$2.2 million.
2. The total liabilities mainly comprised accruals, trade payables and shareholders' loan.

INFORMATION ON THE GROUP

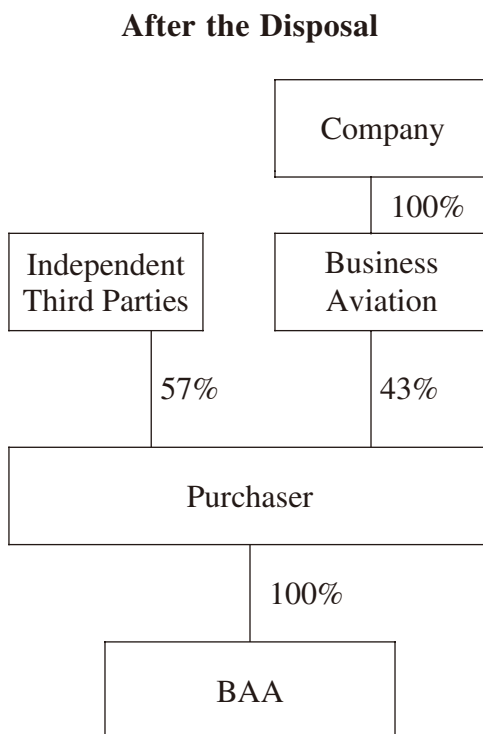
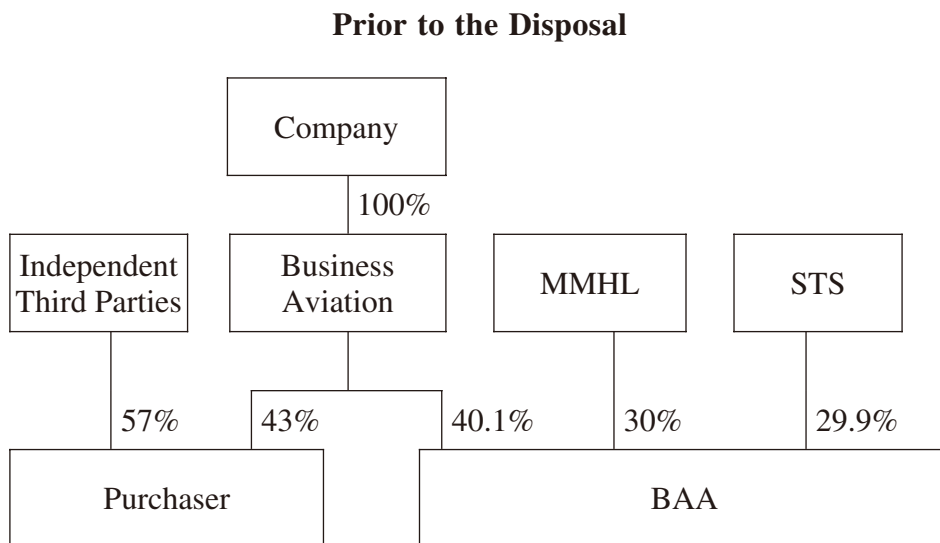
Through the purchase of concessions in western Mongolia, the Group is in a strong position to capitalise on the demands of the PRC, including for coal, coal products and energy along with other resources (including ferrous and non-ferrous metal resources).

The Group has already acquired the exploration concessions of around 32,000 hectares (around 1/3rd the size of Hong Kong) as detailed under the Company's circular dated June 25, 2007 for coal, ferrous and non-ferrous metal resources and 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) as detailed under the Company's circulars dated March 22, 2007 and June 25, 2007.

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

REASONS FOR THE DISPOSAL

The following is the simplified group structure of BAA and the Company immediately prior to, and after the Disposal:



The Disposal is in fact a rationalization exercise with a view to achieving a better defined strategic direction for the Company. Upon Completion, all the Group's interest in the aircraft management and provision of flight charter business will be grouped under the Purchaser. This would enable the Purchaser and BAA to enjoy synergy in management and resources sharing.

Besides, the Disposal also represents a good realization opportunity for the Company by reaping an unaudited gain of approximately HK\$3 million (which is the difference between the Consideration and the carrying value of the Sale Shares as at March 31, 2007).

In light of the above, the Directors consider that the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

As there will only be a minor increase in the shareholding of the Group in BAA from 40.1% to 43% as a result of the Disposal, the Directors do not expect that there will be any material impact on the assets, liabilities and earnings of the Group as a result of the Disposal.

USE OF PROCEEDS

The sale proceeds from the Disposal will be applied as general working capital of the Group.

LISTING RULES IMPLICATION

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval by the Shareholders at the SGM. Save that the Purchaser is owned as to 43% by Business Aviation, the Purchaser and its other shareholders are Independent Third Parties and no Shareholder has a material interest in the Disposal which is different from the other Shareholders. Accordingly, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution to approve the Disposal at the SGM under the Listing Rules.

A circular containing further details of the Disposal, financial information relating to the Group, the notice of the SGM and other information as required under the Listing Rules, will be despatched to the Shareholders as soon as practicable.

TERMS USED IN THIS ANNOUNCEMENT

“Agreement”	the conditional sale and purchase agreement dated December 5, 2007 signed between the Vendors as vendors and the Purchaser as purchaser in relation to the sale and purchase of the entire issued share capital of BAA
“BAA”	BAA Jet Management Limited, a company incorporated in Hong Kong with limited liability
“BAA Group”	BAA and its subsidiary
“Board”	the board of Directors

“Business Aviation”	Business Aviation Asia Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Business Day”	a day (other than Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
“Completion”	completion of the Disposal
“Company”	Mongolia Energy Corporation Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 276)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$6,015,401, being the consideration for the sale of the Sale Shares
“Directors”	directors of the Company
“Disposal”	the proposed disposal of the Sale Shares by Business Aviation to the Purchaser in accordance with the terms and conditions of the Agreement and the performance of the transactions contemplated under the Agreement
“Group”	the Company and its subsidiaries
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	(a) party(ies) who is/are person(s) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“National Trust”	國民信託投資有限公司 (The National Trust & Investments Ltd.), a company incorporated in the PRC with limited liability, authorised and regulated by the China Banking Regulatory Commission
“MMHL”	Marilyn Marine Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and owned 30% of the entire issued share capital of BAA as at the date of the Agreement
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Purchaser”	Asia United Business Aviation Ltd., a company incorporated in the PRC with limited liability and owned as to 43% by Business Aviation as at the date of the Agreement
“Sale Shares”	6,015,401 ordinary shares of HK\$1.00 each, representing 40.1% of the entire issued share capital of BAA
“SGM”	the special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Disposal
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Airlines”	深圳航空有限責任公司 (Shenzhen Airlines), a company incorporated in the PRC with limited liability. Shenzhen Airlines is an airline operator based in Shenzhen offering cargo and passenger services.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“STS”	Sea To Sky Investments Ltd., a company incorporated in Hong Kong with limited liability and owned 29.9% of the entire issued share capital of BAA as at the date of the Agreement

“Vendors”	Business Aviation, MMHL and STS
“HK\$”	Hong Kong dollars
“%”	per cent.

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

Hong Kong, December 5, 2007

As at the date of this announcement, the Board comprises six Directors, of which Mr. Lo Lin Shing, Simon 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.