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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

**SUBSCRIPTION BY CHOW TAI FOOK NOMINEE LIMITED
OF HK\$2,000,000,000 (HONG KONG DOLLARS TWO BILLION)
ZERO COUPON CONVERTIBLE NOTE DUE APRIL 30, 2011
TO BE ISSUED BY MEC AS INTENDED FINANCING FOR CONSTRUCTION
OF COKING FACILITIES FOR PRODUCTION OF
2 TO 3 MILLION TONNES OF COKE PER ANNUM
RELATING TO COKING COAL RESOURCES
IN KHUSHUUT, WESTERN MONGOLIA
AND
RESUMPTION OF TRADING**

THE SUBSCRIPTION

MEC is pleased to announce that Chow Tai Fook Nominee Limited (the “**Subscriber**”) entered into a subscription agreement (the “**Subscription Agreement**”) to subscribe for HK\$2,000,000,000 zero coupon convertible note due April 30, 2011 (the “**Note**”). MEC is obliged, unless the party otherwise agrees, to issue the Note no later than April 30, 2008.

USE OF PROCEEDS UNDER THE SUBSCRIPTION

The net proceeds of HK\$2,000,000,000 from the subscription of the Note is intended to assist MEC in the funding of the construction of coking facilities for the production of 2 to 3 million tonnes of coke per annum relating to the coking coal demonstrated by MEC under MEC’s exploration conducted in the later half of 2007, over 600 hectares of concession areas acquired by MEC and specifically within the mining concession areas under the Initial Acquisition. For completeness, MEC notes that the construction of the coking facilities is at the design stage as a project for commercial exploitation the coal resources demonstrated by MEC as referred under MEC’s announcement of January 9, 2008.

THE CONVERSION SHARES

Upon exercise in full of the conversion rights attaching to the Note in the aggregate principal amount of HK\$2,000,000,000 at the initial conversion price of HK\$7.30 per Share, an aggregate of 273,972,602 new Shares will be issued, representing approximately 4.53% of the existing issued share capital of MEC and approximately 4.33% of the enlarged issued share capital of MEC. For the shareholding of the Subscriber currently in MEC and the effect in case of a full exercise of the conversion rights attaching to the Note, please refer to the table detailed below.

GENERAL

The Conversion Shares will be issued pursuant to the general mandate to allot Shares granted to the Board at MEC's annual general meeting held on August 28, 2007.

SUSPENSION AND RESUMPTION OF TRADING

At the request of MEC, trading in the shares of MEC was suspended with effect from 9.30 a.m. on February 1, 2008 pending the release of this announcement. An application has been made by MEC to the Stock Exchange for resumption of MEC's shares with effect from 9:30 a.m. on February 4, 2008.

THE SUBSCRIPTION

MEC is pleased to announce that Chow Tai Fook Nominee Limited (the "**Subscriber**") entered into a subscription agreement (the "**Subscription Agreement**") to subscribe for HK\$2,000,000,000 zero coupon convertible note due April 30, 2011 (the "**Note**"). MEC is obliged, unless the party otherwise agrees, to issue the Note no later than April 30, 2008.

THE SUBSCRIPTION AGREEMENT

Date: January 31, 2008

Parties:

Issuer: MEC

Subscriber: Chow Tai Fook Nominee Limited, a company incorporated under the laws of Hong Kong, an Independent Third Party.

Principal terms of the Note

The Note

HK\$2,000,000,000 zero coupon convertible note due April 30, 2011 at the subscription price of HK\$2,000,000,000.

Principal amount and denomination

HK\$2,000,000,000.

Maturity Date

April 30, 2011. If no Conversion Shares are issued pursuant to the terms of the Note, the Note shall be repaid on the Maturity Date or such other later date consented to by the Noteholder.

Interest

There is no interest payable on the Note.

Conversion Rights

The Note will carry the right to convert into new Shares at the conversion price of HK\$7.30 per Share, subject to adjustments under the Note.

The Noteholder may convert on any business day from the Issue Date and up to the Business Day immediately prior to Maturity Date the whole or part of the principal amount of the relevant Note (in HK\$10,000,000 or its multiples on any one occasion of conversion) into new Shares unless the principal amount of the outstanding Note is less than HK\$10,000,000 in which case the whole (but not part only) of such outstanding principal amount of the Note shall be converted.

MEC will make an application to the Listing Committee of the Stock Exchange for the listing of and permission to deal with the Conversion Shares prior to disbursement of the funding of HK\$2,000,000,000 from the Noteholder to MEC which MEC is obliged to procure by April 30, 2008.

Conversion price

The initial conversion price, subject to adjustments, is HK\$7.30 per Share from the Issue Date of the Note to the Maturity Date. The initial conversion price of the Note was arrived at after arm's length negotiations between MEC and the Subscriber, with reference to the recent market prices of the Shares, representing:

- (a) a premium of approximately 5% to the average of the closing price per Share of HK\$6.95 as quoted on the Stock Exchange for the last ten (10) trading days up to and including the date of the Subscription Agreement;

- (b) a premium of approximately 1.73% over the average of the closing price per Share of HK\$7.176 as quoted on the Stock Exchange for the last five (5) trading days up to and including the date of the Subscription Agreement; and
- (c) a premium of 2.82% over the closing price of HK7.10 per Share as at the date of the Subscription Agreement.

The initial conversion price of the Note may be adjusted upon occurrence of normal anti-dilutive adjustment events, which include consolidation or sub-division of Shares, capitalization of profits or reserves, capital distributions in cash or specie, rights issues or subsequent issue of securities in MEC, and will in any event not be adjusted below the par value of a Share. The adjustment, when it takes place, will in appropriate circumstances be reviewed by auditors/approved merchant bank as selected by MEC.

Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Note in the aggregate principal amount of HK\$2,000,000,000 at the conversion price of HK\$7.30 per Share by the Noteholder, MEC will issue an aggregate of 273,972,602 new Shares, representing approximately 4.53% of the existing issued share capital of MEC and approximately 4.33% of the enlarged issued share capital of MEC.

The Conversion Shares will be issued pursuant to the general mandate to allot Shares granted to the Board at MEC's annual general meeting held on August 28, 2007.

Ranking

The Conversion Shares will rank *pari passu* in all respects with all existing Shares in issue at the date of the conversion, being the business day immediately following the date on which the conversion notice together with the certificate for the Note is delivered to MEC.

Redemption by MEC

There is no right to redeem the Note before the Maturity Date. MEC and the Noteholder may agree otherwise.

Status of the Note

The obligations of MEC arising under the Note constitute general, unconditional, unsubordinated obligations of MEC and rank, and shall rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of MEC except for obligations accorded preference by mandatory provisions of applicable law.

Transferability

The Note may not be assigned or transferred.

Voting Rights

The Noteholder shall not be entitled to receive notices of, attend or vote at any meetings of MEC by reason only of it being a Noteholder.

Listing

No application will be made for the listing of the Note. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares in the manner as set out above.

Others

In the event that immediately after the exercise of any Conversion Rights, an obligation to make a general offer in respect of the securities of MEC under the Takeovers Code is triggered, the Subscriber agrees and undertakes to MEC that it shall forthwith comply with all the relevant provisions under the Takeovers Code.

The Subscriber hereby further agrees and undertakes to MEC that it will not exercise any Conversion Rights if immediately following such exercise there will be insufficient public float for the Shares (as required under the Listing Rules).

Timing of Subscription

MEC is obliged, unless the party otherwise agrees, to issue the Note no later than April 30, 2008, including to procure satisfaction of the Conditions Precedent by such issue date.

CONDITIONS PRECEDENT OF THE SUBSCRIPTION AGREEMENT

The obligations of the parties to the Subscription to effect Completion shall be conditional upon:–

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Conversion Shares;
- (b) all necessary consents, approvals (or waivers), authorization, permission or exemption from any third parties, including but not limited to government or regulatory authorities, having been obtained by MEC in connection with the Subscription, issue of the Note and the Conversion Shares;

- (c) if required, the Bermuda Monetary Authority having approved the issue of the Note and the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights or otherwise pursuant to the Conditions of the Note and the Conversion Shares; and
- (d) if required under the Listing Rules, the passing of the requisite resolution(s) by the relevant shareholders of MEC at a general meeting of MEC of the entering into or performing the transactions of this Agreement.

USE OF PROCEED

The funds of HK\$2,000,000,000 raised from the Subscriber is intended to assist MEC in the funding of the construction of coking facilities for the production of 2 to 3 million tonnes of coke per annum relating to the coking coal demonstrated by MEC under MEC's exploration conducted in the later half of 2007, over 600 hectares of concession areas acquired by MEC and specifically within the mining concession areas under the Initial Acquisition. Notwithstanding the aforesaid, in the event that MEC believes that the funds raised under the Note will be to the interest and benefit of MEC in relation to the development of its energy and resources projects if applied otherwise, MEC shall have the discretion to apply the funds raised from the Subscriber as it otherwise deems appropriate.

REASONS FOR AND BENEFIT OF THE NOTE

The Board considers that the timing of the fund raising under the Note is appropriate in view of the coking coal resources demonstrated by MEC at the mining concessions in Khushuut, western Mongolia. MEC intends to sell part of the coking coal as a raw material for the carbonized steel industry, and to construct coking facilities to manufacture and sell coke, which commands a premium and which has a global demand. Accordingly, the funding by the Subscriber under the Note, to assist MEC in the funding of the construction of coking facilities for the production of 2 to 3 million tonnes of coke per annum, is in the view of the Board, in the interest and benefit to MEC.

INFORMATION OF THE PARTIES

The Group

The Group is focused on building its energy and related resources business. Throughout 2007, the Group has explored for coal resources. The Group has acquired some 66,000 hectares of exploration and mining concessions in western Mongolia for coal, ferrous and non-ferrous metal resources. During exploration work in the later half of 2007 over an area of 600 hectares out of the 66,000 hectares of concession areas, MEC demonstrated in excess of 460 million tonnes of coal resources of which 181 million tonnes comprise of premium coking coal resources. Please refer to the announcement of MEC of January 9, 2008.

Throughout 2008, the Group will continue to explore for coal, ferrous and non-ferrous metal resources and to work towards its initial commercial exploitation in western Mongolia, as well as to identify further business opportunities in the energy and related resources sector in Mongolia and China, initially

in Xinjiang, PRC. In addition, as the Group has acquired an interest and control of certain oil and gas exploration concessions in western Mongolia and CNPC Daqing Petroleum (中國石油大慶石油管理局), will assist MEC to determine the feasibility and, where feasible, explore for oil and gas, aside from commencement of co-operation with CNPC Daqing Petroleum. Please refer to the announcement of MEC of December 17, 2007.

THE SUBSCRIBER

The Subscriber, Chow Tai Fook Nominee Limited, is a private company incorporated under the laws of Hong Kong and an Independent Third Party. Its principal business is investment holding.

EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of MEC and the effect on the shareholding structure of MEC upon full conversion of the Note are set out as below:

Shareholders	Existing shareholdings		Upon full conversion of Convertible Bond under the Initial Acquisition (no conversion of the Note)		Upon full conversion of the Note (no conversion of the Convertible Bond under the Initial Acquisition)		Upon full conversion of the Note and Convertible Bond under the Initial Acquisition	
	Number of shares	% (approximately)	Number of shares	% (approximately)	Number of shares	% (approximately)	Number of shares	% (approximately)
Substantial Shareholders								
Golden and its associates (Note 1)	1,174,522,301	19.42	1,174,522,301	17.94	1,174,522,301	18.58	1,174,522,301	17.22
Puraway Holdings Limited (Note 2)	1,125,000,000	18.60	1,625,000,000	24.82	1,125,000,000	17.80	1,625,000,000	23.82
Directors								
Other directors of the Group (Note 3)	5,361,200	0.089	5,361,200	0.082	5,361,200	0.085	5,361,200	0.079
Subscriber								
CTF Nominee (Note 4)	223,000,000	3.69	223,000,000	3.41	496,972,602	7.86	496,972,602	7.29
Dragon and its associates (Note 5)	380,670,000	6.30	380,670,000	5.81	380,670,000	6.02	380,670,000	5.58
Public Shareholders								
Other public shareholders	3,138,558,862	51.90	3,138,558,862	47.94	3,138,558,862	49.65	3,138,558,862	46.01
Total	<u>6,047,112,363</u>	<u>100</u>	<u>6,547,112,363</u>	<u>100</u>	<u>6,321,084,965</u>	<u>100</u>	<u>6,821,084,965</u>	<u>100</u>

Note 1: Among the 1,174,522,301 Shares, 4,960,000 Shares represent interest of Mr. Lo Lin Shing, Simon (“Mr. Lo”) on an individual basis; while 1,167,812,301 Shares represent interest of Golden Infinity Co., Ltd (“Golden”). The balance 1,750,000 Shares represent interest of Mrs. Ku Ming Mei, Rouisa (“Mrs. Lo”). Accordingly, Mr. Lo is deemed to be interested in the Shares in which Golden and Mrs. Lo are interested by virtue of the Securities and Futures Ordinance. Golden is beneficially owned by Mr. Lo.

Note 2: Puraway Holdings Limited is a company wholly owned by Mr. Liu Cheng Lin.

Note 3: Directors of the Group other than Mr. Lo.

Note 4: Chow Tai Fook Nominee Limited is a company controlled by Dato’ Dr. Cheng Yu Tung and members of his family.

Note 5: Dragon Noble Limited (“Dragon”) is a company controlled by Dr. Cheng Kar Shun.

FUND RAISING EXERCISE IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

MEC raised a net proceeds of approximately HK\$577 million through subscription and placing pursuant to the subscription agreements and placing agreement all dated January 30, 2007 and the funding took place on January 29, 2008. Apart from that, MEC has not undertaken any equity fund raising exercise in the 12 months immediately preceding the date of this announcement.

GENERAL

The Conversion Shares will be issued pursuant to the general mandate to allot Shares granted to the Board at MEC’s annual general meeting held on August 28, 2007.

Shareholders and potential investors should note that the Subscription Agreement, is subject to a number of conditions precedent and shareholders and potential investors are reminded to exercise caution when dealing in the Shares as the issue of the Note may or may not proceed ahead.

The construction of the coking facilities is part of the implementation of the mining operations under the concessions acquired by MEC, and please note the overall risks factors referred under the circulars of March 22, 2007 and June 25, 2007.

SUSPENSION AND RESUMPTION OF TRADING

At the request of MEC, trading in the shares of MEC was suspended with effect from 9.30 a.m. on February 1, 2008 pending the release of this announcement. An application has been made by MEC to the Stock Exchange for resumption of MEC’s shares with effect from 9:30 a.m. on February 4, 2008.

DEFINITIONS

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

“Board”	means the board of Directors
“Company” or “MEC” or “Issuer”	means Mongolia Energy Corporation Limited (stock code: 276), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Convertible Bond”	means the outstanding convertible bond issued on January 29, 2008 in the principal sum of HK\$142.5 million with 3% interest thereon per annum and with maturity on the third anniversary from the date of issue, convertible into Shares of the Company at the initial conversion price of HK\$0.285 per Shares, subject to adjustments. The Convertible Bond was issued as part of the consideration for the acquisition of concession areas to the seller as referred to in MEC’s circular of March 22, 2007
“Conversion Price”	means the conversion price of HK\$7.30 per Share, subject to the adjustments as set out under the Note, from time to time, if any
“Conversion Rights”	means the rights attached to this Note to convert the principal amount or any part thereof into Shares
“Conversion Shares”	means the Shares to be issued by MEC under this Note, whether upon exercise by the Noteholder of the Conversion Rights, or otherwise pursuant to the Note
“CTF Nominee” or “Subscriber”	means Chow Tai Fook Nominee Limited
“Director(s)”	means director(s) of MEC
“Group”	means MEC and its subsidiaries
“HK\$” and “cents”	means Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	means independent third party(ies) and its/their ultimate beneficial owners who, to the best of the Director’s knowledge and information and having made all reasonable enquiries, is/are not connected person(s) (as defined under the Listing Rules) of MEC
“Initial Acquisition”	means the acquisition of 34,000 hectares of concession areas in western Mongolia referred to in MEC’s circular of March 22, 2007 which has been completed as at the date hereof
“Issue Date”	means the date of issue of the Note by MEC
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	means April 30, 2011
“Note”	means this loan note due April 30, 2011, the aggregate principal amount of which is HK\$2,000,000,000 issued by MEC and the Note is generally not transferable and is convertible into Shares of MEC at the Conversion Price, subject to the adjustment as set out under the Note from time to time, or at any time
“Noteholder”	means the holder of the Note, which for the time being, is the Subscriber
“Share(s)”	means ordinary share(s) of HK\$0.02 each in the share capital of MEC
“Shareholders”	means holders of the ordinary shares of HK\$0.02 each in the share capital of MEC
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	means Subscription Agreement dated January 31, 2008 and entered into between the Subscriber and MEC pursuant to which MEC, as an issuer, agreed to issue and Subscriber, as a subscriber, agreed to subscribe the Note

“Takeovers Code”

means The Hong Kong Code on Takeovers and Mergers

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

Hong Kong, February 1, 2008.

As at the date hereof, 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.

Please also refer to the published version of this announcement in South China Morning Post.