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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 276)

### **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

**Placing Agent**



**Haitong International Securities Company Limited**

On 28 February 2012 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company appointed the Placing Agent to act as its agent to procure the Placees to subscribe for up to 150,000,000 Placing Shares at the Placing Price of HK\$0.80 per Placing Share on a best-efforts basis.

Assuming the maximum number of 150,000,000 Placing Shares are successfully placed, the Placing Shares represent (i) approximately 2.27% of the existing issued share capital of the Company; and (ii) approximately 2.22% of the issued share capital of the Company as enlarged by the issue of the Placing Shares (assuming that there will be no other change in the issued share capital of the Company between the date of this announcement and completion of the Placing Agreement save for the issue of such Placing Shares).

Assuming the maximum number of 150,000,000 Placing Shares are successfully placed, the maximum gross proceeds of the Placing will be approximately HK\$120 million and the maximum net proceeds of the Placing will be approximately HK\$117.3 million (after deducting the placing commission, professional fees and other related costs and expenses payable by the Company in connection with the Placing). The net proceeds from the Placing are intended to be used for development of the Khushuut coking coal project and general working capital purposes of the Group.

Subject to the fulfillment of the conditions set out in sub-paragraph headed "Conditions" below, Completion will take place on or before 30 March 2012 (or such later date as the Placing Agent and the Company may agree in writing).

## **THE PLACING AGREEMENT**

Date: 28 February 2012 (after trading hours)

Parties: (a) the Company; and

(b) the Placing Agent.

### **The Placing**

Under the Placing Agreement, the Placing Agent as placing agent shall procure, on a best-efforts basis, Placees to subscribe for up to 150,000,000 Placing Shares at the Placing Price of HK\$0.80 per Placing Share.

### **Number of Placing Shares to be placed**

A maximum of 150,000,000 Placing Shares, which represent (i) approximately 2.27% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.22% of the issued share capital of the Company as enlarged by the Placing (assuming that there will be no other change in the issued share capital of the Company between the date of this announcement and completion of the Placing Agreement save for the issue of such Placing Shares).

### **Placees**

The Placing Agent has undertaken to the Company that the Placing Shares will be placed to at least six Placees and it shall use its reasonable endeavours to procure that all the Placees are independent of and not connected with the Company, its subsidiaries and their respective directors, chief executives and substantial shareholders, and their respective associates.

Upon Completion, it is expected that none of the Placees will become a substantial Shareholder. If any of the Placees becomes a substantial Shareholder after Completion, further announcement will be made by the Company.

### **Placing Price**

The Placing Price of HK\$0.80 per Placing Share equals to the average closing price of HK\$0.80 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the Last Trading Day and represents:

- (a) a discount of approximately 1.23% to the closing price of HK\$0.81 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a discount of approximately 1.23% to the average closing price of HK\$0.81 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent.

## **Conditions**

Completion is conditional upon fulfillment of the following conditions:-

- (a) the Listing Committee granting or agreeing to grant the approval for the listing of and permission to deal in the Placing Shares (such permission and listing not subsequently revoked prior to the delivery of definitive Share certificates representing the Placing Shares);
- (b) the compliance of the requirements under the Listing Rules and the Takeovers Code (if any) or otherwise as may be required by the Stock Exchange and the SFC in relation to the Placing; and
- (c) the obtaining of all consents, approvals or waivers from any relevant persons which are necessary or desirable in connection with the Placing (and, where such consents, approvals or waivers are given subject to conditions, such conditions to be on such terms as may be reasonably acceptable to the Placing Agent and the Company).

All the above conditions cannot be waived by the Company or the Placing Agent. If any of the above conditions is not fulfilled on or prior to 30 March 2012 (or such later date as may be agreed by the Placing Agent and the Company in writing), the Placing Agreement will terminate and all obligations of the Company and the Placing Agent under the Placing Agreement shall cease and determine and neither the Company nor the Placing Agent shall have any claim against the other in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation and any liabilities under the Placing Agreement.

Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Placing Shares.

## **Completion of the Placing**

Completion will take place on the third Business Day following the date of fulfillment of all the above conditions (or such other date as may be agreed between the Company and the Placing Agent in writing).

**As Completion is subject to the satisfaction of all the above conditions, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **Placing commission to the Placing Agent**

The Placing Agent will receive a placing commission in Hong Kong dollars equals to two per cent (2%) of the aggregate Placing Price for the Placing Shares successfully placed by it.

## **Ranking of the Placing Shares**

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares and the Placing Shares, when issued, will be free from all liens, charges and encumbrances and together with all rights attaching to them including the right to receive all dividends declared, made or paid on or after the date of allotment and issue.

## **General Mandate**

The Placing Shares will be allotted and issued under the General Mandate, pursuant to which the Company is authorised to issue a maximum of 1,321,309,565 new Shares. Up to the date of this announcement, no new Shares have been issued under the General Mandate. The Placing of and the allotment and the issue of Placing Shares are not subject to the Shareholders' approval.

## **Termination**

If at any time on or prior to 4:00 p.m. on the Business Day immediately before the Completion Date :-

- (a) there shall have come to the attention of the Placing Agent :-
  - (i) any material breach of, or any event rendering untrue or incorrect in any material respect, any of the representations, warranties or undertakings of the Company set out in the Placing Agreement; or
  - (ii) any material breach of, or failure to perform, any of the other obligations of the Company which are required to be performed at or before completion of the Placing; or
- (b) there shall have occurred or come to the attention of the Placing Agent :-
  - (i) any adverse change in the market conditions (including without limitation suspension or material restriction on trading in securities generally) which in the reasonable opinion of the Placing Agent materially and prejudicially affects the Placing and makes it inadvisable or inexpedient to proceed therewith; or
  - (ii) any new law or government regulation or other occurrence of any nature whatsoever which in the reasonable opinion of the Placing Agent will materially and adversely affect the business or financial or trading position or prospects of the Group or any part thereof or the Placing; or
  - (iii) any event or change (whether or not forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof) in local, national, international, financial, political, military, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international

outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which in the reasonable opinion of the Placing Agent will materially and adversely affect the business or financial or trading position or prospects of the Group or any part thereof or the Placing; or

- (iv) the declaration of a banking moratorium in Hong Kong which in the reasonable opinion of the Placing Agent materially and prejudicially affects the Placing and makes it inadvisable or inexpedient to proceed therewith; or
- (v) any adverse announcement, determination or ruling of any governmental or other regulatory body (including but not limited to the absence of reasonable prospects for obtaining a clearance or approval of this announcement from the Stock Exchange),

then and in any such case, the Placing Agent may, after consultation with the Company (to the extent that the same is reasonably practicable), terminate the Placing Agreement without liability by giving notice in writing to the Company, provided that such notice is received prior to the Completion Date.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any other fund raising exercises in the past 12 months before the date of this announcement.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company in the following scenarios:-

	<b>As at the date of this announcement</b>		<b>Scenario (A)</b>		<b>Scenario (B)</b>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Golden Infinity Ltd. (“ <b>Golden Infinity</b> ”) and its associates <sup>(Note 1)</sup>	1,212,788,301	18.36	1,212,788,301	17.95	1,293,788,301	16.21
Chow Tai Fook Nominee Limited and its associates <sup>(Note 2)</sup>	225,000,000	3.41	225,000,000	3.33	1,225,000,000	15.34
Dragon Noble Group Limited (“ <b>Dragon</b> ”) and its associates <sup>(Note 3)</sup>	394,670,000	5.97	394,670,000	5.84	394,670,000	4.94
Placees	-	0.00	150,000,000	2.22	150,000,000	1.88
Sculptor Finance (MD) Ireland Limited	-	0.00	-	0.00	91,424,117	1.14
Sculptor Finance (AS) Ireland Limited	-	0.00	-	0.00	41,833,529	0.52
Sculptor Finance (SI) Ireland Limited	-	0.00	-	0.00	4,036,470	0.05
Other directors of the Group <sup>(Note 4)</sup>	7,283,200	0.11	7,283,200	0.11	15,283,349	0.19
Other public Shareholders	4,766,806,327	72.15	4,766,806,327	70.55	4,769,606,848	59.73
<b>TOTAL</b>	<b><u>6,606,547,828</u></b>	<b>100.00</b>	<b><u>6,756,547,828</u></b>	<b>100.00</b>	<b><u>7,985,642,614</u></b>	<b>100.00</b>

Notes :

1. Golden Infinity is a company wholly and beneficially owned by Mr. Lo Lin Shing, Simon (“**Mr. Lo**”), being the chairman of the Company and an executive Director.
2. Chow Tai Fook Nominee Limited, a company controlled by Dato’ Dr. Cheng Yu Tung. It is also the holder of the CTF Convertible Note (as defined below).
3. Dragon is a company controlled by Dr. Cheng Kar Shun.
4. Other directors of the Group, other than Mr. Lo and his associates.

**Scenarios :**

- (A) immediately upon Completion, on the assumption that (i) a maximum number of 150,000,000 Placing Shares will be subscribed for under the Placing; (ii) there will be no change to the issued share capital of the Company between the date of this announcement and Completion; and (iii) the Placees do not and will not hold any Shares other than the Placing Shares.
- (B) immediately upon (i) full conversion of the CTF Convertible Note <sup>(1)</sup> at the initial conversion price of HK\$2.0 per Share, the SF Convertible Notes <sup>(2)</sup> at the initial conversion price of HK\$3.4 per Share, and the GI Convertible Note <sup>(3)</sup> at the initial conversion price of HK\$4.0 per Share; (ii) exercise of all the existing outstanding share options of the Company granted pursuant to the Company's share option scheme; and (iii) issue of 150,000,000 Placing Shares.

Notes :

- (1) CTF Convertible Note - the 3% coupon convertible note in the principal amount of HK\$2,000,000,000 issued by the Company to Chow Tai Fook Nominee Limited as announced on 12 May 2011;
- (2) SF Convertible Notes – three (3) 3.5% coupon convertible notes in the aggregate principal amount of HK\$466,800,000 3.5% issued by the Company to Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited and Sculptor Finance (SI) Ireland Limited as announced on 3 November 2010; and
- (3) GI Convertible Note – the 3.5% coupon convertible note in the principal amount of HK\$300,000,000 issued by the Company to Golden Infinity as announced on 29 April 2010.

## **REASONS FOR THE PLACING**

The Group is principally engaged in energy and related resources business.

In view of the current market conditions, the Board considers that the Placing represents a good opportunity to raise additional capital while broadening the shareholder base of the Company as well as strengthening the capital base and financial position of the Group, and enhance the liquidity position for the development of the Group's Khushuut coking coal project.

Assuming the maximum number of 150,000,000 Placing Shares are successfully placed, the maximum gross proceeds of the Placing will be approximately HK\$120 million and the maximum net proceeds of the Placing will be approximately HK\$117.3 million (after deducting the placing commission, professional fees and other related costs and expenses payable by the Company in connection with the Placing). On this basis, the net placing price is HK\$0.78 per Share. The net proceeds for the Placing are intended to be used for the development of the Khushuut coking coal project and as general working capital of the Group of which:-

- (i) approximately HK\$50 million will be used as an initial capital required for the building of a coal washing plant in Xinjiang, the People's Republic of China, and in this regard, the Company has engaged 山東能源新汶礦業集團有限責任公司 (Shandong Energy Xinwen Mining Group Co., Ltd.) to assist in this project;
- (ii) approximately HK\$40 million will be used to purchase coal hauling trucks and trailers in Mongolia to facilitate the Company's coal transportation from the mine site to the Mongolian-Xinjiang borders; and

- (iii) the balance of the net proceeds will be used as general working capital of the Group.

The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:-

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday 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 generally are open for business in Hong Kong
“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
“Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Completion Date”	the third Business Day following the date of fulfillment of all the conditions set out in the Placing Agreement (or such other date as may be agreed between the Company and the Placing Agent in writing)
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 30 August 2011 to allot, issue and deal with the Shares of not exceeding 20% of the issued share capital of the Company as at the date of said annual general meeting, being 1,321,309,565 Shares

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Last Trading Day”	28 February 2012
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any individuals, corporate, institutional investors or other investors to be procured by or on behalf of the Placing Agent to subscribe any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	offer by way of a private placing of the Placing Shares, on a best-efforts basis, by or on behalf of the Placing Agent to the Placees to subscribe for the Placing Shares pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	Haitong International Securities Company Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading), and Type 4 (advising on securities) regulated activities
“Placing Agreement”	the placing agreement dated 28 February 2012 made between the Company and the Placing Agent in respect of the Placing
“Placing Price”	placing price of HK\$0.80 per Placing Share
“Placing Shares”	a maximum of 150,000,000 new Shares to be allotted and issued by the Company under the Placing Agreement
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share



	capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

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

Hong Kong, 28 February 2012

*As at the date hereof, the Board comprises seven Directors, of which Mr. Lo Lin Shing, Simon, Mr. Liu Zhuo Wei and Ms. Yvette Ong are executive Directors, Mr. To Hin Tsun, Gerald is a non-executive Director and Mr. Peter Pun OBE, JP, Mr. Tsui Hing Chuen, William JP and Mr. Lau Wai Piu are independent non-executive Directors.*