

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**MONGOLIAN MINING CORPORATION**  
(Incorporated in the Cayman Islands with Limited Liability)  
(Stock Code: 975)

**CONNECTED TRANSACTION  
ANNOUNCEMENT**

On 8 October 2010, Gobi Road, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with MCS Electronics whereby MCS Electronics agreed to supply and install a truck scale and toll gate system at the 25th kilometer section of a paved road that is being constructed by Gobi Road. The total consideration payable by Gobi Road is MNT2,418,272,200 (equivalent to approximately HK\$14,262,885).

As MCS Electronics is a non-wholly owned subsidiary of MCS Holding LLC, the controlling shareholder of the Company, MCS Electronics is a connected person of the Company. Accordingly, the transaction contemplated under the Agreement constitutes a connected transaction of the Company. As the applicable percentage ratios are more than 0.1% but less than 5%, the Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Odjargal Jambaljamts, Ms. Badamtsetseg Dash-Ulzii, Mr. Gantumur Lingov, Mr. Enkh-Amgalan Luvsantseren and Ms. Enkhtuvshin Gombo, being each a Director and a director of MCS Holding LLC, have abstained from voting on the relevant resolutions of each of the Board and the board of directors of MCS Holding LLC for the approval of the Agreement.

The Board notes that there has been a delay in the publication of the Company's announcement of the transaction. The Company acknowledges that the delay in making an announcement in relation to the Agreement constitutes a breach of Rule 14A.47 of the Listing Rules. In order to avoid reoccurrence of similar incidents in the future, the Company has formulated and implemented appropriate internal procedures for identifying connected transactions and notifiable transactions within the meaning of the Listing Rules in the future.

**THE AGREEMENT**

**Date:** 8 October 2010

**Parties:** (1) Gobi Road, an indirect wholly-owned subsidiary of the Company; and  
(2) MCS Electronics, as the supplier

**Principal terms:**

Pursuant to the Agreement, Gobi Road appoints MCS Electronics to supply and install a truck scale and toll gate system at the 25th kilometer section of a paved road that is being constructed by Gobi Road. The road goes towards the direction of UHG (coal mine) – GS (border point) in Umnugobi province of Mongolia and will be used for coal export transportation purpose.

**Consideration:**

The total consideration payable under the Agreement is MNT2,418,272,200 (equivalent to approximately HK\$14,262,885), which is inclusive of value added tax, other applicable taxes, fees and commissions and all other costs (expertise fee etc.).

The consideration payable by Gobi Road under the Agreement is to be made in the following manner:

- (a) 30% of the contract amount, MNT725,481,660 (equivalent to approximately HK\$4,278,866), shall be paid within 10 working days after execution of the Agreement upon receipt of invoice from MCS Electronics;
- (b) 15% of the contract amount, MNT362,740,830 (equivalent to approximately HK\$2,139,433), shall be paid within 10 working days after the shipping of full set of equipment specified in the Agreement;
- (c) 40% of the contract amount, MNT967,308,880 (equivalent to approximately HK\$5,705,154), shall be paid within 10 working days after system operates completely;
- (d) 12% of the contract amount, MNT290,192,664 (equivalent to approximately HK\$1,711,546), shall be paid within 10 working days on completion; and
- (e) 3% of the contract amount or retention money, MNT72,548,166 (equivalent to approximately HK\$427,886), shall be paid within 10 working days after warranty period expires upon receipt of the invoice from MCS Electronics.

The consideration payable under the Agreement was negotiated on an arm's length basis between the Company and MCS Electronics following the tendering process whereby MCS Electronics had been selected as the supplier. The consideration will be paid in cash and will be fully funded by the internal resources of the Group.

**Timeframe of installation work:**

Pursuant to the Agreement, the supply and installation of the truck scale and toll gate system shall be completed on or before 1 June 2011.

## **INFORMATION ON THE COMPANY AND GOBI ROAD**

The Company is principally engaged in open-pit mining and sale of coking coal in Mongolia.

Gobi Road is an indirect wholly-owned subsidiary of the Company. Gobi Road is principally engaged in construction, operation and management of a paved road project in the direction of UHG (coal mine) – GS (border point) since June 2010 under the Resolution No 83 (2010) of Government of Mongolia and the BOT Agreement which is an agreement to build, operate and transfer a paved road in the direction of UHG-GS, entered into between Gobi Road and Ministry of Roads, Transportation, Construction and Urban Development of Mongolia on 9 June 2010.

## **INFORMATION ON MCS ELECTRONICS**

MCS Electronics is a non-wholly owned subsidiary of MCS Holding LLC. MCS Electronics is principally engaged in provision of sales and services of computer equipment and peripherals in Mongolia and a leading information and communication technology solution provider in Mongolia.

## **REASONS FOR THE TRANSACTION**

According to the BOT Agreement, Gobi Road is entitled to use the road and levy toll fees for trucks on the road in order to recover its investments made to the road for 10 years. Therefore recording (toll) and scaling of all trucks on this road form an essential part of this road project for toll fee collection, safety, and maintenance and operation management.

The Company received bids from three suppliers and established an internal evaluation committee to evaluate the proposals. The system proposed by the lowest bidder did not meet the technical requirements as it was not compatible with axle load weighing system for heavy load trucks. Therefore it was dismissed at the technical evaluation stage. The remaining two bidders proposed systems compliant with technical requirements. Therefore, the contract was awarded to MCS Electronics, who submitted the lowest priced technically compliant system.

The selected bidder, MCS Electronics is the biggest systems integration company in Mongolia and has rich experiences in supplying and implementing control systems e.g. SCADA (Supervisory Control and Data Acquisition) system for electricity distribution, telemetry system for Ulaanbaatar water supply, process control systems for various mining companies, radar and monitoring systems for Civil Aviation Authority of Mongolia.

The Board (including the independent non-executive Directors) is of the view that the Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATION**

As MCS Electronics is a non wholly-owned subsidiary of MCS Holding LLC, the controlling shareholder of the Company, MCS Electronics is a connected person of the Company. Accordingly, the transaction contemplated under the Agreement constitutes a connected transaction of the Company. As the applicable percentage ratios are more than 0.1% but less than 5%, the Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The transaction contemplated under the Agreement constitutes a connected transaction that should have been announced at the time the Agreement was entered into and, or as soon as the shares of the Company were listed on the Stock Exchange on 13 October 2010. The Board notes that there has been a delay in the publication of the Company's announcement of the transaction. The Company acknowledges that the delay in making an announcement in relation to the Agreement constitutes a breach of Rule 14A.47 of the Listing Rules. The appointment of a contractor to supply and install a truck scale and toll gate system formed part of the Company's operation before the listing of the shares of the Company on the Stock Exchange. As the Agreement was entered into prior to the listing of the shares of the Company on the Stock Exchange, the Company genuinely believed that the transaction was not subject to the disclosure requirements under the Listing Rules. The Company subsequently sought the advice from its compliance advisors and legal counsels and took immediate action to issue this announcement in compliance with the Listing Rules.

In order to avoid reoccurrence of similar incidents in the future, the Company formulated and implemented appropriate internal procedures for identifying connected transactions and notifiable transactions within the meaning of the Listing Rules in the future.

Mr. Odjargal Jambaljamts, Ms. Badamtsetseg Dash-Ulzii, Mr. Gantumur Lingov, Mr. Enkh-Amgalan Luvsantseren and Ms. Enkhtuvshin Gombo, being each a Director and a director of MCS Holding LLC, have abstained from voting on the relevant resolutions of each of the Board and the board of directors of MCS Holding LLC for the approval of the Agreement.

## **DEFINITIONS**

|                 |   |
|-----------------|---|
| “Agreement”     | the agreement dated 8 October 2010 entered into between Gobi Road and MCS Electronics;  |
| “Board”         | the board of Directors;   |
| “BOT Agreement” | a type of contract arrangement, in which a private sector entity builds an infrastructure project, operates it and eventually transfers ownership of the project to the Government of Mongolia; |
| “Company”       | Mongolian Mining Corporation, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 975);           |
| “Director(s)”   | the director(s) of the Company;   |
| “Gobi Road”     | Gobi Road LLC, a company incorporated in Mongolia with limited liability and is an indirect wholly-owned subsidiary of the Company;   |
| “Group”         | the Company and its subsidiaries;   |
| “GS”            | Gashuun Sukhait, the Mongolia side of the PRC-Mongolia border crossing;   |
| “HK\$”          | Hong Kong dollars, the lawful currency of Hong Kong;  |
| “Hong Kong”     | the Hong Kong Special Administrative Region of the PRC;   |

|                   |  |
|-------------------|--|
| “Listing Rules”   | the Rules Governing the Listing of Securities on the Stock Exchange;   |
| “MCS Electronics” | MCS Electronics LLC, a company incorporated in Mongolia with limited liability and a non-wholly owned subsidiary of MCS Holding LLC;                           |
| “MNT”             | togrog or tugrik, the lawful currency of Mongolia;   |
| “PRC”             | the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan; |
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited;   |
| “UHG”             | Ukhaa Khudag;  |
| “%”               | per cent.  |

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1.00 = MNT169.55 announced by Central Bank of Mongolia as of 8 October, 2010, has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

By Order of the Board  
**Mongolian Mining Corporation**  
**Odjargal Jambaljamts**  
*Chairman*

Hong Kong, 29 December 2010

*As at the date of this announcement, the Board consists of Messrs. Odjargal Jambaljamts, Battsengel Gotov and Badamtsetseg Dash-Ulzii, being the executive Directors, Messrs. Gantumur Lingov, Enkhtuvshin Gombo, Enkh-Amgalan Luvsantseren, Oyungerel Janchiv, Philip Hubert ter Woort and Batsaikhan Purev, being the non-executive Directors, and Messrs. Ochirbat Punsalmaa, Unenbat Jigjid and Chan Tze Ching, Ignatius, being the independent non-executive Directors.*