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內蒙發展(控股)有限公司

INNER MONGOLIA DEVELOPMENT (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

1. PLACING OF NEW SHARES
2. TERMINATION OF THE SECOND PLACING AGREEMENT,
THE CONVERTIBLE NOTES PLACING AGREEMENT AND
THE SUBSCRIPTION AGREEMENT
3. REFRESHMENT OF GENERAL MANDATES
4. RESUMPTION OF TRADING

1.A The Underwritten Placing

On 30th December, 2005, the Company entered into the Underwriting Agreement with the Underwriters, pursuant to which the Company has conditionally agreed to place, through the Underwriters, the Underwritten Shares to independent investors at a price of HK\$0.20 per Share. The Underwritten Placing is fully underwritten by the Underwriters on a several basis.

The 250,000,000 Underwritten Shares represent approximately 94.32% of the existing issued share capital of the Company of 265,056,202 Shares and approximately 48.54% of the Company's issued share capital as enlarged by the Underwritten Shares and approximately 19.76% of the issued share capital of the Company as enlarged by the Underwritten Shares and the Placing Shares.

The Underwritten Placing is conditional upon (i) the passing of a resolution at the EGM by the Shareholders to approve the Underwriting Agreement and the issue of the Underwritten Shares pursuant to the Underwriting Agreement; and (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Underwritten Shares. Ms. Yau Shum Tek, Cindy, the Chairman of the Company, and her Associates will abstain from voting on the Underwritten Placing at the EGM.

The Underwritten Placing is subject to termination on the occurrence of certain events, set out in greater detail below, at any time before completion of the Underwriting Agreement.

1.B The Best Efforts Placing

On 30th December, 2005, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent, up to 750,000,000 Placing Shares in up to five separate tranches to independent investors at a price of HK\$0.20 per Share, on a best efforts basis, during the Placing Period (or such other period as the parties may agree in writing). The Placing Agreement requires that the number of Placing Shares comprised in each tranche must be not less than 150,000,000 Placing Shares and the maximum number of Placing Shares for all tranches will not exceed 750,000,000 Placing Shares.

Assuming all 750,000,000 Placing Shares are fully placed, the 750,000,000 Placing Shares represent approximately 282.96% of the existing issued share capital of the Company of 265,056,202 Shares and approximately 73.89% of the Company's issued share capital as enlarged by the Placing Shares and approximately 59.29% of the issued share capital as enlarged by the Underwritten Shares and the Placing Shares.

The Best Efforts Placing is conditional upon the passing of a resolution at the EGM by the Shareholders to approve the Placing Agreement and the issue of the Placing Shares pursuant to the Placing Agreement. Ms. Yau Shum Tek, Cindy, the Chairman of the Company, and her Associates will abstain from voting on the Best Efforts Placing at the EGM.

Completion of each tranche of Placing Shares will be conditional upon the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) listing of and permission to deal in the Placing Shares in respect of such tranche of Placing Shares. Further announcements will be made by the Company on the issue of each tranche of Placing Shares.

An independent financial adviser will be appointed to advise Independent Shareholders on the Underwritten Placing and on the Best Efforts Placing.

2. Further Information in relation to the Underwritten Placing and the Best Efforts Placing

Assuming that all the Underwritten Shares and the Placing Shares are fully subscribed, the aggregate of the Underwritten Shares and the Placing Shares represent approximately 377.28% of the Company's existing issued share capital and approximately 79.05% of the Company's issued share capital as enlarged by the issue of those shares.

The Underwritten Placing and the Best Efforts Placing are not inter conditional.

3. Termination of the Second Placing Agreement, the Convertible Notes Placing Agreement and the Subscription Agreement

The Company has on 6th January, 2006 entered into the Termination Agreement in respect of the Second Placing Agreement and the Convertible Notes Placing Agreement and on 1st February, 2006 entered into the Subscription Termination Agreement in respect of the Subscription Agreement.

4. Refreshment of General Mandates

The Company also proposes to seek a refreshment of the General Mandates. The relevant resolution will be proposed at the EGM to refresh the General Mandates.

5. General

An independent board committee will be formed to advise Shareholders on the Underwritten Placing, the Best Efforts Placing and the Issue Mandate. A circular with details of the Underwritten Placing, the Best Efforts Placing and the refreshment of General Mandates, a letter from the independent board committee and the independent financial adviser in relation to the Underwritten Placing, the Best Efforts Placing and the refreshment of the Issue Mandate and the notice of the EGM to consider and if thought fit approve the Underwritten Placing, the Best Efforts Placing and the refreshment of General Mandates, will be sent to shareholders of the Company as soon as practicable.

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 30th December, 2005 pending the release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in its shares with effect from 9:30 a.m. on 3rd February, 2006.

1.A THE UNDERWRITTEN PLACING

The Underwriting Agreement contains terms summarised below amongst others:

Parties: (1) The Company

(2) The Underwriters

The Underwriting Agreement: The Company conditionally agrees to place, through the Underwriters, 250,000,000 Underwritten Shares in the share capital of the Company on a fully underwritten basis to independent investors at a price of HK\$0.20 per Underwritten Share.

Underwriters: Get Nice and Kingston are the Underwriters for the Underwritten Placing.

The obligations and liability of the Underwriters under the Underwritten Agreement are several and not joint or joint and several. The underwriting commitment of each of the Underwriters is as follows:–

Get Nice	125,000,000 Underwritten Shares
Kingston	125,000,000 Underwritten Shares

The Underwriters will receive a placement commission of 2.25% on the gross proceeds of the Underwritten Shares underwritten by each Underwriter. To the best of the Director's knowledge, information and belief having made all reasonable enquiry, each of the Underwriters and its respective ultimate beneficial owner are third parties independent of the Company and Connected Persons of the Company.

Placees: The Underwritten Shares are to be placed by each Underwriter to not less than six placees (which may be independent individuals, corporate and/or institutional investors) who are (and in the case of corporate and institutional investors whose ultimate beneficial owners are) third parties independent of the Company and Connected Persons of the Company. It is a term of each of the Underwriting Agreement and of the Placing Agreement that the Underwriters and the Placing Agent (as the case may be) shall offer or sell the Underwritten Shares and the Placing Shares to persons, who to the best of the knowledge and belief of such Underwriter and Placing Agent, are independent individual, professional or institutional investors who, together with their ultimate beneficial owners are independent of and not acting in concert with the Company and Connected Persons of the Company. On the basis that the Underwritten Shares are to be placed by each Underwriter to not less than six placees and the placees are different entities, the Company expects that no placee will become a Substantial Shareholder as a result of the Underwritten Placing. The Company will make an announcement as soon as it becomes aware that there is any Substantial Shareholder as a result of the Underwritten Placing.

Underwritten Share Price: The Underwritten Share Price is HK\$0.20 per Underwritten Share, this price represents (i) the closing price of HK\$0.2 per Share quoted on the Stock Exchange on 29th December, 2005, the trading day before the date of suspension of dealings in shares of the Company; (ii) a discount of approximately 2.0% to the average closing price per Share of approximately HK\$0.204 per Share as quoted on the Stock Exchange for the last five trading days of the Shares ended on 29th December, 2005; (iii) a discount of approximately 62.1% to the average closing price per Share of approximately HK\$0.53 per Share as quoted on the Stock Exchange for the last 30 trading days of the Shares ended on 29th December, 2005 and (iv) a discount of approximately 91.5% to the consolidated net assets per Share of the Group as at 30th September, 2005. The net placing price per Underwritten Share is approximately HK\$0.195. The expenses of the Underwritten Placing will be borne by the Company.

The Underwritten Share Price was agreed after arm's length negotiations.

Rights: The Underwritten Shares will on issue rank equally with the Shares.

Number of Underwritten Shares: 250,000,000 new Shares are to be placed, representing approximately 94.32% of the existing issued share capital of the Company of 265,056,202 Shares and approximately 48.54% of the issued capital of the Company as enlarged by the Underwritten Shares. The Underwritten Placing is fully underwritten by the Underwriters on a several basis.

Conditions Precedent: The Underwritten Placing is conditional upon:–

- (i) the passing of the relevant resolution at the EGM by the Shareholders to approve the Underwriting Agreement and the issue of the Underwritten Shares pursuant to the Underwriting Agreement; and
- (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Underwritten Shares.

The Underwriting Agreement will lapse if the conditions set out above are not satisfied by 28th February, 2006 unless the parties agree otherwise in writing.

Ms. Yau Shum Tek, Cindy, and her Associates will abstain from voting on the Underwritten Placing at the EGM.

Force Majeure: The Underwritten Placing is subject to termination on the occurrence of certain events at any time before 9:00 a.m. on the date of completion of the Underwriting Agreement, including:

- (a) any change in national, international, financial, exchange control, industrial, legal, regulatory, licensing, political, economic or market conditions in the People's Republic of China and Hong Kong which in reasonable opinion of Get Nice (on behalf of the Underwriters) would be materially adverse to the business or trading and financial position of the Company and/or its subsidiaries taken as a whole or is or would be materially adverse in the context of the Underwritten Placing; or
- (b) any breach of the warranties, representations and undertakings given by the Company in the Underwriting Agreement and such breach is considered by Get Nice (on behalf of the Underwriters) on reasonable grounds to be material in the context of the Underwritten Placing; or
- (c) any material change (whether or not forming part of a series of changes) in market conditions in Hong Kong which in the reasonable opinion of Get Nice (on behalf of the Underwriters) would materially and prejudicially affect the Underwritten Placing or makes it inadvisable or inexpedient for the Underwritten Placing to proceed.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

Completion: The Underwritten Placing is to be completed on the third business day after satisfaction of the conditions or such other dates parties may agree. The Underwriting Agreement will lapse if the Conditions are not satisfied by 28th February, 2006 unless the parties agree otherwise in writing. Accordingly, assuming that the conditions precedent of the Underwritten Placing are satisfied by 28th February, 2006, the Underwritten Placing is expected to be completed not later than 3rd March, 2006.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Underwritten Shares.

1.B THE BEST EFFORTS PLACING

The Placing Agreement contains the terms set out below:

- Parties:**
- (1) The Company
 - (2) The Placing Agent. To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owner are third parties independent of the Company and Connected Persons of the Company

The Placing Agreement:	The Company has conditionally agreed to place, through the Placing Agent, up to 750,000,000 Placing Shares in the share capital of the Company in up to five separate tranches on a best efforts basis, during the Placing Period (or such other period as the parties may agree in writing), to independent investors at a price of HK\$0.20 per Placing Share. The Placing Agreement requires that the number of Placing Shares comprised in each tranche must be not less than 150,000,000 Placing Shares and the maximum number of Placing Shares for all tranches must not exceed 750,000,000 Placing Shares.
Placing Agent:	The Placing Agent will receive a placement commission of 2.25% on the gross proceeds of Placing Shares placed under the Placing Agreement.
Placees:	For each tranche of Placing Shares, they are to be placed to not less than six placees (which may be independent individuals, corporate and/or institutional investors) who are (and in the case of corporate and institutional investors whose ultimate beneficial owners are) third parties independent of the Company and Connected Persons of the Company. It is a term of each of the Underwriting Agreement and of the Placing Agreement that the Underwriters and the Placing Agent (as the case may be) shall offer or sell the Underwritten Shares and the Placing Shares to persons, who to the best of the knowledge and belief of such Underwriter and Placing Agent, are independent individual, professional or institutional investors who, together with their ultimate beneficial owners are independent of and not acting in concert with the Company and Connected Persons of the Company. On the basis that each tranche of Placing Shares will be placed to more than six placees and the placees are different entities, the Company expects that no placee will become a Substantial Shareholder as a result of the Best Efforts Placing. The Company will make an announcement as soon as it becomes aware that there is any Substantial Shareholder as a result of the Best Efforts Placing. The Placing Agreement does not contain provisions that the placees for each tranche need to be different or that the placees will be different to those placees in the Underwritten Placing.
Placing Price:	The Placing Price is HK\$0.20 per Placing Share, this price represents (i) the closing price of HK\$0.20 per Share quoted on the Stock Exchange on 29th December, 2005, the trading day before the date of suspension of dealings in shares of the Company; (ii) a discount of approximately 2.0% to the average closing price per Share of approximately HK\$0.204 per Share as quoted on the Stock Exchange for the last five trading days of the Shares ended on 29th December, 2005; (iii) a discount of approximately 62.1% to the average closing price per Share of approximately HK\$0.53 per Share as quoted on the Stock Exchange for the last 30 trading days of the Shares ended on 29th December, 2005 and (iv) a discount of approximately 91.5% to the consolidated net assets per Share of the Group as at 30th September 2005. The net placing price is approximately HK\$0.195 per Placing Share. The expenses of the Best Efforts Placing will be borne by the Company. This price was agreed after arm's length negotiations.
Rights:	The Placing Shares will on issue rank equally with the Shares.
Number of Placing Shares:	Assuming that the 750,000,000 Placing Shares are fully placed, they represent approximately 282.96% of the existing issued share capital of the Company of 265,056,202 Shares and approximately 73.89% of the issued capital of the Company as enlarged by the Placing Shares.

Conditions Precedent: The Best Efforts Placing is conditional upon the passing of a resolution at the EGM by the Shareholders to approve the Placing Agreement and the issue of the Placing Shares pursuant to the Placing Agreement.

The Placing Agreement will lapse if the condition set out above is not satisfied by 28th February, 2006 unless the parties agree otherwise in writing.

In addition, completion of each tranche of Placing Shares will be conditional upon the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) listing of and permission to deal in the Placing Shares in respect of such tranche of Placing Shares ("Further Condition"). Further announcement will be made by the Company for the issue of each tranche of Placing Shares.

Ms. Yau Shum Tek, Cindy, the Chairman of the Company, and her Associates will abstain from voting on the Best Efforts Placing at the EGM.

Completion: Each tranche of the Placing Shares is to be completed on the third business day after satisfaction of the Further Condition. The Placing Agreement will lapse if the conditions are not satisfied by the expiry of the Placing Period unless the parties agree otherwise in writing. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Since the obligation of the Placing Agent under the Best Efforts Placing is not an underwritten commitment, there is no event of force majeure in the Placing Agreement.

The terms of the Underwriting Agreement and the Placing Agreement do not give the places the right to be appointed to the board of directors as a result of completion of the Underwritten Placing and the Best Efforts Placing. However, the articles of association of the Company contains provisions to allow shareholders to requisition general meetings and in such meetings shareholders can put forward resolutions to appoint new directors.

An independent financial adviser will be appointed to advise Independent Shareholders on the Underwritten Placing and on the Best Efforts Placing.

2. USE OF PROCEEDS

The estimated maximum net proceeds from the Underwritten Placing and the Best Efforts Placing of approximately HK\$194.7 million will be used for investments by the Company. The Underwritten Placing will provide secured proceeds of approximately HK\$48.7 million whilst the Best Efforts Placing only provides potential proceeds of up to approximately HK\$146 million. The Company has around the end of December 2005 identified and is currently investigating a possible investment in a financial service group but has not yet decided whether to proceed with that investment and if the Company proceeds to make such investment, it is expected that a portion of the net proceeds will be used to fund such investment. This financial services group is involved in a full range of financial services in Hong Kong – including brokerage, futures trading, corporate finance and money lending. As negotiations are still underway, the actual proportion of net proceeds to be used is still not yet decided at present. The Company is currently only at a preliminary negotiation stage in respect of such investment and no agreements or arrangements have been made or entered into as at the date of this Announcement. Although the possible investment in the financial services group and the investment size has not been decided, the directors are of the view that it is in the Company's interest to proceed with the Underwritten Placing and the Best Efforts Placing in order to provide the Company with readily available funds as and when the investment terms are finalised. At present, there is no expected date of agreement of the investment terms and there is no certainty terms will be finalised. A further announcement will be made by the Company in respect of this investment as and when appropriate. Any remaining proceeds will be used by the Company for other investment opportunities. No agreement has been entered into for other investment opportunities and there is no identified area as to where the proceeds are going to be invested.

The Company is engaged in the money lending business as one of its subsidiaries holds a money lender licence. In addition, the Company has experience in investment in financial services group.

The size of the Company's proposed investment in the financial services group has not been determined and the Company may or may not have management rights in this proposed business. If considered appropriate after the investment has been finalised, the Company may consider hiring additional personnel with the appropriate expertise.

The Company is of the view that investment into the financial services sector is promising because the Company is not required to make heavy capital investment in fixed asset and equipment and can maintain the flexibility to expand its investment in the financial services business through increasing the capital commitment to the business as and when opportunities arise.

Depending on the results of the Best Efforts Placing and the outcome of the negotiation regarding the investment in the financial services group, the Company may consider further fund raising activities if considered appropriate at that time.

3. FURTHER INFORMATION IN RELATION TO THE UNDERWRITTEN PLACING AND THE BEST EFFORTS PLACING

Assuming that all the Underwritten Shares and the Placing Shares are fully subscribed, the aggregate of the Underwritten Shares and the Placing Shares represent approximately 377.28% of the Company's existing issued share capital and approximately 79.05% of the Company's issued share capital as enlarged by the issue of those shares.

The Underwritten Placing and the Best Efforts Placing are not inter conditional.

4. CHANGES IN SHAREHOLDINGS IN THE COMPANY AS A RESULT OF THE UNDERWRITTEN PLACING AND THE BEST EFFORTS PLACING

The changes in the shareholdings in the Company as a result of the Underwritten Placing and the Best Efforts Placing (assuming that all the Placing Shares are fully placed) are illustrated in the table below (assuming that there are no other changes in the issued share capital of the Company):-

Name of shareholders	Shareholding before the Underwritten Placing and the Best Efforts Placing		Shareholding after the Underwritten Placing but before the Best Efforts Placing		Shareholding after the Underwritten Placing and the Best Efforts Placing	
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage
Multiple Wealth International Limited	9,615,900	3.63%	9,615,900	1.87%	9,615,900	0.76%
Pacific Rim Investment Management Enterprises Limited (<i>Note 1</i>)	26,730,000	10.08%	26,730,000	5.19%	26,730,000	2.11%
Sub Total:	36,345,900	13.71%	36,345,900	7.06%	36,345,900	2.87%
Public Shareholders	228,710,302	86.29%	228,710,302	44.4%	228,710,302	18.08%
Placees (<i>Note 2</i>)	–	–	250,000,000	48.54%	1,000,000,000	79.05%
Total:	<u>265,056,202</u>	<u>100%</u>	<u>515,056,202</u>	<u>100%</u>	<u>1,265,056,202</u>	<u>100%</u>

Note 1: Ms. Yau Shum Tek, Cindy, the Chairman of the Company, wholly owns and controls Red China Holdings Limited and Capital Sun Industries Limited. Capital Sun Industries Limited wholly owns Future Star Group Limited. Each of Red China Holdings Limited and Future Star Group Limited holds 50% of the issued share capital of Mainland Talent Developments Limited. Mainland Talent Developments Limited wholly owns Hastings Gold Limited which in turn wholly owns each of Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises Limited.

Note 2: It is a term of each of the Underwriting Agreement and of the Placing Agreement that the Underwriters and the Placing Agent (as the case may be) shall offer or sell the Underwritten Shares and the Placing Shares to persons, who to the best of the knowledge and belief of such Underwriter and Placing Agent, are independent individual, professional or institutional investors who, together with their ultimate beneficial owners are independent of and not acting in concert with the Company and Connected Persons of the Company. There is not expected to be a change in control of the Company as a result of the Underwriting Agreement and the Placing Agreement.

5. REASONS FOR THE UNDERWRITTEN PLACING AND THE BEST EFFORTS PLACING

The Company is engaged in the business of trading of goods, provision of finance, trading of securities, property holding and investment and investment activities.

The Company is of the view that the Underwritten Placing provides the Company an opportunity to secure estimated net proceeds of approximately HK\$48.7 million and the Best Efforts Placing provides the Company with an opportunity to secure maximum estimated net proceeds of approximately HK\$146 million. The Company considers that the entering into of the Underwriting Agreement and the Placing Agreement will raise further capital, broaden the shareholder and capital base of the Company while improving the financial position of the Company. Taking into account that the Company has identified a possible investment and is currently investigating the investment, the proceeds of the Underwriting Agreement and the Placing Agreement would be used to fund such investment if the investment proceeds. This funding will provide the Company with flexibility in its investment.

The Company discussed with the Underwriters regarding the plans to raise up to HK\$200 million and explored various fund raising methods including open offer and rights issue. However, the Underwriters and the Placing Agent were only prepared to proceed with the Underwritten Placing for 250 million shares at HK\$0.2 per Share (i.e. HK\$50 million) and the Best Efforts Placing for 750 million shares at HK\$0.2 per Share (i.e. up to HK\$150 million). The Underwriters are not prepared to proceed with an underwritten placing to raise HK\$200 million.

A placing is proposed, as opposed to an open offer or a rights issue, because the Directors believe that is the best available method for the Company in the current market environment. Following commercial negotiations, it is apparent to them that placing is more likely to be taken up bearing in mind the larger period for which open offers and rights issues are required to be kept open (i.e. under normal circumstances, a placing could be completed within 14 days from signing of the placing agreement and for placing requiring shareholders' approval in approximately one month after signing of the placing agreement, whereas in contrast, a rights issue and an open offer requires at least two to three months to complete after the execution of the relevant underwriting agreement for such rights issue or open offer (assuming that shareholders' approval are required and that the rights issue or the open offer (as the case may be) requires to be underwritten)) and require the preparation of a prospectus which is costly and time consuming. Although the Underwritten Share Price and the Placing Price are only HK\$0.20 per Share, the Company decided to proceed with the Underwritten Placing and the Best Efforts Placing because the Company is of the view it is desirable to issue the shares now to provide it with further liquidity. Although the Group has available cash resources of about HK\$15 million from the placing in December 2005, it considers it desirable to have significantly larger cash resources to take advantage of large investment opportunities as they arise. These prices were negotiated with the Underwriters and the Placing Agent.

Regarding the timing of the Underwritten Placing and the Best Efforts Placing, the Directors considered the following factors: (1) the trend of the interest rates; (2) interest and other cost burdens on the Company of alternative methods of financing; (3) the current stock market sentiment; (4) the current stock price; and (5) the availability of the underwriters and placing agents willing to engage in fund raising activities of this size.

- (1) The Directors are of the view that interest rates may increase further in the first quarter of 2006 and may be maintained at high levels for a period of time. It is in the interest of the Company and Shareholders to engage in equity fund raising when opportunities arise rather than arranging for debt financing.
- (2) Equity fund raising will not create any interest burden on the Company and can broaden the shareholder base of the Company.
- (3) The Directors consider that the current stock market sentiment is favourable for equity fund raising in terms of the Hang Seng Index level and daily turnover. However, there is no assurance that such favourable sentiment can sustain and how long it will sustain for.
- (4) The current stock price is the commercial basis for determination of the Underwritten Share Price and the Placing Price. Although it would be advantageous for the Company to carry on the Underwritten Placing and the Best Efforts Placing at a price higher than market price, in the commercial world and prevailing marketing practices, placing agents are very unlikely to agree to a placing price at a premium to market prices. It is the market, not the Company, that dictates the market price of its Shares. With the opportunity of having the Underwriters and the Placing Agent to engage in fund raising activities of this size, the Company decided to conduct a share placing when the Company's share price is HK\$0.2. Although the share placing price of HK\$0.2 is lower than the retrospective prices of the Shares in December, 2005 (above HK\$0.4 from 7-9 December, 2005 and above HK\$0.3 from 12-13 December, 2005), however, at those times, there were no decision to seek further cash resources. In any event, it is uncertain whether there would have been any placing agents willing or agreeable to conduct a placing of such size during the period when the Share price were higher from 7-9 December, 2005 and 12-13 December, 2005.

- (5) The entering into of the Underwritten Placing and the Best Efforts Placing was a commercial decision taken by the Company in view of a market opportunity which has been offered by the Underwriters and the Placing Agent. This opportunity may or may not become available in future and there is no assurance as to whether the share price of the Company will increase or decrease in future. In addition, given that the favourable stock market sentiment may or may not be sustained and the availability of the Underwriters and Placing Agent willing to engage in fund raising activities of this size, the Company considers that it is in its interest to seize this opportunity to enter into the Underwritten Placing and Best Efforts Placing.

Given the reasons set out above and in view of the termination of the Second Placing Agreement, the Convertible Notes Placing Agreement and the Subscription Agreement, the Directors (including the independent non-executive Directors) consider that the terms of the Underwritten Placing and the Best Efforts Placing are fair and reasonable and the Underwritten Placing and the Best Efforts Placing are in the interest to the Company and Shareholders as a whole.

6. FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company placed 300,000,000 new Shares at HK\$0.04 per Share (prior to the share consolidation which became effective on 5th August, 2005), as referred to in the Company's announcement dated 7th January, 2005. The net proceeds of the placing were approximately HK\$11.6 million. The proceeds were intended to be used and have been used for general working capital.

The Company placed 20,000,000 new Shares at HK\$0.54 per Share under the First Placing Agreement entered into between the Company and Uni-Alpha dated 13th June, 2005, as referred to in the June Announcement and July Circular. The net proceeds of the placing was approximately HK\$10.4 million. The proceeds were intended to be used as to HK\$5.2 million for investment and HK\$5.2 million for general working capital (which has been used as general working capital purposes). As at the date hereof, HK\$2 million has been used as a deposit in connection with the trading activities of iron ore which was disclosed in the June Announcement and July Circular as one of the possible investment opportunities being considered by the Company. The remaining HK\$3.2 million was earmarked for investments and this amount has been placed in a savings deposit by the Company.

As referred to in the June Announcement and July Circular, the Company has also entered into (i) the Convertible Notes Placing Agreement dated 13th June, 2005 with Uni-Alpha to place, on a best efforts basis, convertible notes of up to the principal amount of HK\$48,000,000, (ii) the Second Placing Agreement dated 13th June, 2005 with Uni-Alpha to place, on a best efforts basis, up to 40,000,000 new Shares at HK\$0.54 per Share and (iii) the Subscription Agreement with Goodnews Resources Limited whereby Goodnews Resources Limited agreed to subscribe for 35,000,000 new Shares at HK\$0.58 per Share which agreements have not been completed yet. As described below, the Company has entered into termination agreement in relation to the Convertible Notes Placing Agreement, the Second Placing Agreement and the Subscription Agreement.

The Company placed 44,000,000 new Shares at HK\$0.67 per Share as referred to in the Company's announcement dated 6th December, 2005. The net proceeds of the placing was approximately HK\$28,800,000. Approximately HK\$13.8 million of the net proceeds have been used in investment in securities and the remaining HK\$15 million has been placed in savings deposit and has not been utilised yet.

The Company is constantly reviewing its existing business and possible new business opportunities. In the past six months, the Company has been investigating the investment opportunities referred in the June Announcement and the July Circular, being the manufacturing (including production of raw materials including metals), travel (including tourism operations) and trading (including trading of commodities such as metals and iron ores) sectors and investment opportunities in the PRC, especially in the Inner Mongolia region. However, the Company has since the end of December 2005 been investigating into a new investment opportunity in a financial services group. The Company has since decided that it is most likely that the investment in the financial services group will become more promising than the investment opportunities in the manufacturing, travel and trading sectors and in the PRC (especially in the Inner Mongolia region) and no longer intends to proceed with its previous investment plans, in particular, in view of the resources required to manage such investment opportunities which are likely to be in the PRC. Instead, the Company is of the view that possible investment in the financial services group is likely to be more promising and easier to manage from Hong Kong. Two of the Company's directors have relevant experience in the financial services sector. The Company may or may not have management rights in the proposed investment services group as that would depend on the size of the proposed investment. If the investment in the financial services group materialises, the Company presently intends to continue with its existing business but will continue to review its existing business and new business opportunities.

Hence, the remaining HK\$3.2 million placed on savings deposit raised from the First Placing Agreement and the HK\$15 million placed on savings deposit raised under the December Placing Agreement as well as the funds raised from the Underwritten Placing and the Best Efforts Placing will be used for the Company's possible investment in the financial services group (please refer to section 3 headed "Use of Proceeds" above) as well as other investment opportunities (which will not include investments in the manufacturing, travel and trading sectors as referred to in the June Announcement and July Circular), which have not been identified as at this stage.

Set out below is the summary of fund raising activities in the past 12 months:-

Date of Agreement	Transaction	Net proceeds raised/to be raised	Completed	Intended use of proceeds	Actual use of proceeds
7th January, 2005	Placing of 300,000,000 new Shares (prior to the share consolidation)	HK\$11.6 million	Yes	General working capital	General working capital
13th June, 2005	Placing of 20,000,000 new Shares under the First Placing Agreement	HK\$10.4 million	Yes	HK\$5.2 million for general working capital HK\$5.2 million for investments (including trading of commodities such as metals and iron ores)	HK\$5.2 million – general working capital HK\$2 million deposit for trading of commodities-iron ore HK\$3.2 million – savings deposit
13th June, 2005	Placing up to 40,000,000 new Shares under the Second Placing Agreement	up to HK\$20.9 million	No The Second Placing Agreement is terminated on 6th January, 2006	HK\$10.45 million – investments HK\$10.45 million – working capital	N/A
13th June, 2005	Subscription of 35,000,000 new Shares under the Subscription Agreement	HK\$20.2 million	No The Subscription Agreement is terminated on 1st February, 2006	HK\$10.1 million – investments HK\$10.1 million – working capital	N/A
13th June, 2005	Placing up to HK\$48 million convertible notes under the Convertible Notes Placing Agreement	up to HK\$46.6 million	No The Convertible Notes Placing Agreement is terminated on 6th January, 2006	HK\$23.3 million – investments HK\$23.3 million – working capital	N/A
1st December, 2005	Placing of 44,000,000 new Shares under the December Placing Agreement	HK\$28.8 million	Yes	HK\$14.4 million – general working capital HK\$14.4 million – investments	HK\$13.8 million – investment in short term securities HK\$15 million – savings deposit

Save as mentioned above, the Company has not engaged in any other fund raising activities in the past twelve months from the date of this announcement.

7. TERMINATION AGREEMENT AND SUBSCRIPTION TERMINATION AGREEMENT

The Termination Agreement contains the terms set out below:-

Parties: (1) The Company

(2) Uni-Alpha

Date: 6th January, 2006

The Company and Uni-Alpha agreed to terminate the following agreements:-

- (i) the Second Placing Agreement dated 13th June, 2005 between the Company and the Uni-Alpha to place, on the best efforts basis, up to 40,000,000 new Shares at the price of HK\$0.54 per share; and
- (ii) the Convertible Notes Placing Agreement dated 13th June, 2005 between the Company and Uni-Alpha to place, on the best efforts basis, convertible notes up to the aggregate principal amount of HK\$48 million.

The Subscription Termination Agreement contains the terms set out below:–

Parties: (1) The Company
(2) Goodnews Resources Limited

Date: 1st February, 2006

The Company and Goodnews Resources Limited agreed to terminate the Subscription Agreement dated 13th June, 2005 between Goodnews Resources Limited and the Company in relation to the subscription of 35,000,000 new Shares without any claims or obligations against each other.

The Second Placing Agreement, the Convertible Notes Placing Agreement and the Subscription Agreement do not contain any provisions for termination save for non-fulfilment of the conditions precedent. However, parties under any agreement can always agree to terminate the agreement by way of a separate agreement.

Details of such agreements were referred to in, inter alia, the Company's announcement dated 13th June, 2005 and circulars dated 4th July and 13th September, 2005.

8. REASONS FOR ENTERING INTO THE TERMINATION AGREEMENT AND THE SUBSCRIPTION TERMINATION AGREEMENT

The Convertible Notes Placing Agreement, the Second Placing Agreement and the Subscription Agreement were signed on 13th June, 2005. An extraordinary general meeting was held on 4th August, 2005 to approve the Second Placing Agreement with placing price of HK\$0.54 and the Convertible Notes Placing Agreement with a conversion price of HK\$0.6 at 4th August, 2005. The underlying shares of the Company has been trading above HK\$0.6 from 22nd August, 2005 to the end of November 2005. In addition, the Company had on 17th October, 2005 extended the long stop date of the Second Placing Agreement to the end of January, 2006. Uni-Alpha had ample time and opportunity to procure placees but had failed to do so because of lack of market interest. Accordingly, the Company is of the view that it is no longer commercially viable to proceed with such placings during the placing period for the Second Placing Agreement (which will end on 31st January, 2006) and in particular the share price of the Company has fallen below the placing price of the Second Placing Agreement and the conversion price of the Convertible Notes Placing Agreement (which ended on 1st February, 2006 in any case) hence the parties entered into the Termination Agreement after an approach to the Company by Uni-Alpha to terminate the Second Placing Agreement and the Convertible Notes Placing Agreement (indicating that there was a lack of market interest in the Shares). As in any other "best-efforts" placing the Company has no recourse against Uni-Alpha if it fails to procure placees during the placing period and Uni-Alpha is not under any contractual obligations to give any explanations or justification for the reasons why it has failed to procure the placees. The Company informed Goodnews Resources Limited of the termination of the Second Placing Agreement and the Convertible Notes Placing Agreement who in turn told the Company that it no longer wishes to proceed with the Subscription Agreement for commercial reasons. The Company was approached by Goodnews Resources Limited seeking termination of the Subscription Agreement and understands that it changed its mind with respect to Subscription Agreement and was no longer interested in proceeding with it because the Termination Agreement had been entered into.

The Convertible Notes Placing Agreement and the Second Placing Agreement were only best efforts obligations hence there is no certainty as to the amount of funds raised. The funds which potentially could have been raised under the Second Placing Agreement, the Convertible Notes Placing Agreement and the Subscription Agreement are replaced by the Underwritten Placing and the Best Efforts Placing which will bring assured proceeds of approximately HK\$48.7 million and potential proceeds of up to approximately HK\$146 million respectively.

Save for the listing approval for the Shares to issued pursuant to the Second Placing Agreement and Shares to be issued under each tranche of the Convertible Notes, all other conditions precedent under the Second Placing Agreement, the Convertible Notes Placing Agreement and the Subscription Agreement have been fulfilled. In any event, the placees have not been procured under the Second Placing Agreement and the Convertible Notes Placing Agreement.

No compensation is payable by the Company to Uni-Alpha as a result of the Termination Agreement.

In view of the above reasons and the fact that Uni-Alpha initiated the termination of the Second Placing Agreement and the Convertible Notes Placing Agreement (as it was planning to go out of business) and Goodnews Resources Limited initiated the termination of the Subscription Agreement, rather than seek to pursue or enforce the agreement through potentially costly litigation and/or seek to force investors to take up Shares in circumstances where these investors did not wish to do so and would not necessarily be acting in the best interests of the Company, the Company decided to enter into of the Termination Agreement and the Subscription Termination Agreement.

Given (a) the reasons set out above; (b) the Company considers that there was no benefit to the Company in seeking to pursue or enforce the Second Placing Agreement, the Convertible Notes Placing Agreement and the Subscription Agreement; and (c) the Underwritten Placing and the Best Efforts Placing have already been secured and entered into, the Directors (including the independent non-executive Directors) consider, after much thorough discussions, that the terms of the Termination Agreement and the Subscription Termination Agreement are fair and reasonable and the Termination Agreement and the Subscription Termination Agreement are in the interest of the Company and Shareholders as a whole.

9. REFRESHMENT OF GENERAL MANDATES

The mandate granted to Directors to issue shares at the Company's annual general meeting held on 29th September, 2005 was close to fully utilised as a result of completion of the placing of 44,000,000 new Shares in December 2005 and has only 211,240 Shares remaining. The Company wishes to seek approval of Shareholders at the EGM to refresh the General Mandates in order to allow the flexibility for future business development and/or fund raising. Based on the issued share capital of the Company as at the date hereof of 265,056,202 Shares and assuming there is no change in the issued share capital until the date of the EGM, the Issue Mandate will allow the Directors to issue and allot up to 53,011,240 new Shares. However, the Company does not have any immediate plans for any new issue of Shares at present. Pursuant to the Listing Rules, the Directors and their Associates shall abstain from voting in favour of the relevant resolutions in relation to refreshment of the Issue Mandate at the EGM.

At the EGM, resolutions will be proposed to:-

- (1) refresh the general and unconditional mandate authorising the Directors to exercise all powers of the Company to issue new Shares up to 20% of the issued share capital of the Company on the date of the EGM;
- (2) refresh the general and unconditional mandate authorising the Directors to exercise all powers of the Company to repurchase Shares on the Stock Exchange up to a maximum of 10% of the issued share capital of the Company on the date of the EGM; and
- (3) by a separate ordinary resolution, extend the general and unconditional mandate so that the Directors be given a general mandate to issue further Shares equal to the Shares repurchased under the repurchase mandate referred to in (2) above.

In accordance with Rule 13.39(4) of the Listing Rules, the ordinary resolution proposed to approve the Issue Mandate at the EGM will be put to vote by way of a poll.

As at the date of this announcement, the Company does not have a "controlling shareholder" (as such term is defined in the Listing Rules) and an aggregate of 36,345,900 Shares (representing approximately 13.71% of the existing issued share capital of the Company) are held by the Directors (excluding independent non-executive Directors) of the Company and their respective Associates. The Directors and their Associates will abstain from voting in favour of resolutions to refresh the Issue Mandate at the EGM. In accordance with the Listing Rules, an independent financial adviser will be appointed by the Company to advise Shareholders on the Issue Mandate.

Notwithstanding the secured net proceeds of approximately HK\$48.7 million for the Underwritten Placing and potential proceeds of approximately HK\$146 million under the Best Efforts Placing, the Company still wishes to maintain the flexibility for future business development and fund raising opportunities hence considers it in the interest of the Company to take advantage of the EGM to be convened to approve the Underwritten Placing and the Best Efforts Placing together with the refreshment of the General Mandate although there are no plans at present to issue any new Shares other than the Underwritten Shares and the Placing Shares.

10. GENERAL

All Directors (including the independent non-executive Directors) consider that the terms of the Underwriting Agreement, the Placing Agreement and the refreshment of General Mandates are fair and reasonable and the entering into of the Underwriting Agreement, the Placing Agreement and the refreshment of General Mandates are the interests of the Company and the shareholders of the Company as a whole.

An independent board committee will be formed to advise Shareholders on the Underwritten Placing, the Best Efforts Placing and the Issue Mandate. A circular with details of the Underwritten Placing, the Best Efforts Placing and the refreshment of General Mandates, a letter from the independent board committee and the independent financial adviser in relation to the Underwritten Placing, the Best Efforts Placing and the Issue Mandate and the notice of the EGM of the Company to consider and if thought fit approve the Underwritten Placing, the Best Efforts Placing and the refreshment of General Mandates, will be sent to shareholders of the Company as soon as practicable.

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 30th December, 2005 pending the release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in its Shares with effect from 9:30 a.m. on 3rd February, 2006.

DEFINITIONS

The following defined terms are used in this announcement with the meaning set opposite then:

“Associates”	has the meaning ascribed thereto in the Listing Rules
“Best Efforts Placing”	placing of up to 750,000,000 Placing Shares pursuant to the Placing Agreement
“Company”	Inner Mongolia Development (Holdings) Limited
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules
“Convertible Notes Placing Agreement”	the placing agreement dated 13th June, 2005 between the Company and Uni-Alpha to place, on a best efforts basis, the convertible notes of up to the principal amount of HK\$48,000,000
“December Placing Agreement”	the placing agreement dated 1st December, 2005 between the Company and Chung Nam Securities Limited to place, on an underwritten basis, 44,000,000 new Shares
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Underwritten Placing and the Best Efforts Placing and the refreshment of General Mandates
“First Placing Agreement”	the placing agreement dated 13th June, 2005 between the Company and Uni-Alpha to place, on an underwritten basis, the 20,000,000 new Shares
“General Mandates”	the Issue Mandate and Repurchase Mandate
“Get Nice”	Get Nice Investment Limited, a deemed licensed corporation to carry on business in types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance and asset management) under the SFO (Chapter 571 of the Laws of Hong Kong)
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than Ms. Yau Shum Tek, Cindy, the Chairman of the Company and her Associates
“Issue Mandate”	the mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company on the date of EGM and to extend the issue mandate to include the Shares repurchased under the Repurchase Mandate
“July Circular”	the circular of the Company dated 4th July, 2005

“June Announcement”	the announcement of the Company dated 13th June, 2005
“Kingston”	Kingston Securities Limited, a deemed licensed corporation to carry on business in the following regulated activities: dealing in securities, advising on securities and corporate finance and asset management under the SFO
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	Peoples’ Republic of China
“Placing Agent”	Get Nice
“Placing Agreement”	the placing agreement dated 30th December, 2005 between the Company and the Placing Agent to place, on a best efforts basis, the Placing Shares
“Placing Period”	the period between the day commencing from the date on which the EGM had approved the Best Effort Placing and 31st July, 2006 (both days inclusive)
“Placing Price”	HK\$0.20 per Placing Share
“Placing Shares”	up to 750,000,000 new Shares to be placed under the Placing Agreement
“Repurchase Mandate”	the mandate proposed to be sought at the EGM to authorise the Directors to repurchase Shares on the Stock Exchange up to 10% of the issued share capital of the Company on the date of the EGM
“Second Placing Agreement”	the placing agreement dated 13th June, 2005 between the Company and Uni-Alpha to place, on a best efforts basis, up to 40,000,000 new Shares
“SFO”	the Securities and Futures Ordinance
“Share(s)”	ordinary shares of HK\$0.2 each in the issued share capital of the Company
“Shareholders”	holders of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 13th June, 2005 between Goodnews Resources Limited and the Company in relation to the subscription of 35,000,000 new Shares
“Subscription Termination Agreement”	the termination agreement dated 1st February, 2006 between the Company and Goodnews Resources Limited in relation to the termination of the Subscription Agreement
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Termination Agreement”	the termination agreement dated 6th January, 2006 between the Company and Uni-Alpha in relation to the termination of the Second Placing Agreement and the Convertible Notes Placing Agreement
“Uni-Alpha”	Uni-Alpha Securities Limited
“Underwriters”	Get Nice and Kingston
“Underwriting Agreement”	the placing agreement dated 30th December, 2005 between the Company and the Underwriters to place, on an underwritten basis, the Underwritten Shares
“Underwritten Placing”	placing of the Underwritten Shares pursuant to the Underwriting Agreement
“Underwritten Share Price”	HK\$0.20 per Underwritten Share
“Underwritten Shares”	250,000,000 new Shares to be placed under the Underwriting Agreement

As at the date of this announcement, the directors of the Company are:–

Executive Directors

Ms. Yau Shum Tek, Cindy (*Chairman*)

Mr. Kwong Wai Tim, William (*Managing Director*)

Mr. Lai Ming Wai

Ms. Kwok Wai Ming

Independent Non-executive Directors

Mr. Lam Ping Cheung

Mr. Kwong Kai Sing, Benny

Mr. Lo Ming Chi, Charles

Mr. Chiu Siu Po

By Order of the Board
Inner Mongolia Development (Holdings) Limited
Yau Shum Tek, Cindy
(*Chairman*)

Hong Kong, 2nd February, 2006