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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)**

**PROPOSED CHANGE OF NAME, CAPITAL REORGANIZATION  
AND DISCLOSEABLE TRANSACTION**

**A. Proposed Change of name and Capital Reorganization**

The Company proposes put forward to its Shareholders the following proposals:

- (1) that the Company changes its name from Inner Mongolia Development (Holdings) Limited (內蒙發展(控股)有限公司) to Freeman Corporation Limited (民豐控股有限公司);
- (2) that the nominal value of all the issued Existing Shares be reduced from HK\$0.20 each to HK\$0.10 each by (a) canceling HK\$0.10 paid up on each issued Existing Share by way of a reduction of capital; (b) canceling the unissued Existing Shares in the authorized share capital of the Company; and (c) increasing the authorized share capital of the Company by creating a number of new shares of HK\$0.10 each equivalent to the same number of the unissued Existing Share cancelled under (b);
- (3) the credit arising from such reduction will be applied towards canceling the accumulated deficit of the Company in the amount of HK\$485 million as shown in the unaudited financial statements of the Company for the six months ended 30th September, 2005; and
- (4) the sums standing to the credit of the share premium account of the Company in the amount of HK\$327 million as shown in the unaudited financial statements of the Company for the six months ended 30th September, 2005 be cancelled and the credit arising thereupon will be applied to cancel the balance of the accumulated deficit of the Company in the amount of HK\$485 million as shown in the unaudited financial statements of the Company for the six months ended 30th September, 2005 after applying the credit arising from the reduction of capital.

**B. Discloseable Transaction**

On 24th March, 2006, the Vendor entered into the Agreement with the Purchaser pursuant to which the Vendor conditionally agreed to sell and the Purchaser agreed to purchase, inter alia, the entire issued share capital of Startech and a related Shareholder's Loan, at the Sale Price of HK\$3,882,496.15.

The Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing details of the Agreement and the above proposals, together with a notice of EGM, will be despatched to shareholders as soon as possible.

## **(1) PROPOSED NAME CHANGE**

It is proposed that the Company's name be changed from Inner Mongolia Development (Holdings) Limited (內蒙發展(控股)有限公司) to Freeman Corporation Limited (民豐控股有限公司).

As stated in the circular of the Company dated 16th February, 2006, the Company is constantly reviewing its existing businesses and possible new business opportunities and has since the end of December 2005 been investigating a new investment opportunity in a financial services group. The Company has decided that it is most likely that the investment in the financial services group will be more promising than the investment opportunities in the manufacturing, travel and trading sectors in the People's Republic of China (the "PRC") (especially in the Inner Mongolia region). The proposed change of name is to reflect the dynamic business nature of the Company as well as the management's determination and its genuine wish to enhance the fruitful result for the benefit of the Shareholders.

Subject to approval by Shareholders at the EGM and the approval of the Registrar of Companies in the Cayman Islands, the proposed name change, will become effective on the date of the Extraordinary General Meeting.

## **(2) THE PROPOSED CAPITAL REORGANIZATION**

It is proposed that:

- (i) the nominal value of all the issued Existing Shares be reduced from HK\$0.20 each to HK\$0.10 each by (a) canceling HK\$0.10 paid up on each issued Existing Shares by way of reduction of capital; (b) canceling the unissued Existing Shares in the authorized share capital of the Company; and (c) increasing the authorized share capital of the Company by issuing new shares of HK\$0.10 each equivalent to the same number of the unissued Existing Share cancelled under (b);
- (ii) the credit arising from such reduction will be applied towards canceling the accumulated deficit of the Company in the amount of HK\$485 million as shown in the unaudited financial statements of the Company for the six months ended 30th September, 2005; and
- (iii) the sum standing to the credit of the share premium account of the Company in the amount of HK\$327 million as shown in the unaudited financial statements of the Company for the six months ended 30th September, 2005 will be cancelled and the credit arising be applied to cancel the balance of the accumulated deficit of the Company in the amount of HK\$485 million as shown in the unaudited financial statements of the Company for the six months ended 30th September, 2005 after the applying the credit arising from the reduction of capital referred to in paragraph (ii) above.

The Capital Reorganization (which will be effected in accordance with the Articles of Association of the Company and the Companies Law of the Cayman Islands) is conditional upon:

- (i) the passing of a special resolution to approve the Capital Reorganization by Shareholders at the Extraordinary General Meeting;
- (ii) approval of the Adjustment Proposal to the extent required by the Court;
- (iii) compliance with any conditions imposed by the Court; and
- (iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue upon the Capital Reorganization becoming effective.

The Company will make a further announcement if and when the Adjustment Proposal becomes unconditional and to include the timetable for the Capital Reorganisation. The timetable for the Capital Reorganization will also be included in further announcement and circular to be despatched to Shareholders in connection with it.

The share capital of the Company consists of 527,056,202 Existing Shares in issue and the aggregate nominal value of the issued share capital of the Company is approximately HK\$105 million. On the basis of 527,056,202 Shares in issue as at the date of this announcement, a total credit of approximately HK\$52.7 million will arise in the books of the Company as a result of the Adjustment Proposal.

Except for options to subscribe for 3,000,000 shares outstanding under the Share Option Scheme adopted by the Company on 23rd August, 2002, the Company has no outstanding warrants or other securities convertible into or giving rights to subscribe for Shares as at the date of this announcement.

After the Capital Reorganization, the authorized share capital of the Company will become HK\$1,000,000,000 comprising of 10,000,000,000 Adjusted Shares of HK\$0.10 each, of which 527,056,202 Adjusted Shares will be in issue and the aggregate nominal value of the issued share capital of the Company will become approximately HK\$52,705,620 (assuming no shares are issued before then). Assuming the Capital Reorganisation is implemented and based on the figures set out in the unaudited financial statements for the six months ended 30 September, 2005, upon completion of the Capital Reorganisation, the accumulated deficit of the Company will be reduced to approximately HK\$105 million.

### **Effect of the Capital Reorganization**

Implementation of the Capital Reorganization would not, of itself, alter the underlying assets, liabilities, businesses, management or financial position of the Company and the Group or the rights of the Shareholders, except for payment of the related expenses. The proportionate interests and voting rights of the Shareholders in the Company will not be affected by the Capital Reorganization.

The Adjusted Shares will rank *pari passu* in all respects with each other and the Capital Reorganization will not result in any change in the relative rights of the Shareholders.

### **Free exchange of Adjusted Share certificates and trading arrangements**

Subject to the Capital Reorganization and change of name proposal becoming effective, Shareholders may, during a period to be specified in the circular, submit certificates for Existing Shares to the Company's registrar, for exchange, at the expense of the Company, for certificates for Adjusted Shares. Thereafter, certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for Adjusted Shares. Nevertheless, certificates for Shares will continue to be good evidence of legal title and may be exchanged for certificates for Adjusted Shares at any time at the expense of the Shareholders in question. Further announcement will be made as and when appropriate in relation to the effective date of the change of name, the arrangements for exchange of share certificates and the arrangements relating to trading and dealings in the Adjusted Shares and such information will also be included in further announcement and circular.

## **Reasons**

With a view to facilitating any capital raising when circumstances arise in the future, the Directors propose the Capital Reorganization which allow flexibility for the issue of new shares in future if the Directors consider that appropriate. In addition, the Directors believe that in the light of the accumulated losses of the Company as set out in the unaudited financial statements for the six months ended 30th September, 2005, it would be in the Company's interests to reduce its capital and cancel its share premium account in order to eliminate so far as possible such accumulated losses, as this would be likely to improve the prospects of raising funds and declaring dividends in the future.

## **Timing**

The Capital Reorganization will become effective upon Court's approval, which is expected to take approximately 4 to 6 months from the date of the EGM.

### **(3) THE AGREEMENT**

**Date:** 24th March, 2006

**Parties to the Agreement:** Fortuna Investments Limited as Vendor  
Freeman International Limited as Purchaser

The Vendor agreed to sell and the Purchaser agreed to purchase the Sale Share representing the entire issued share capital of Startech and to assign the Shareholder's Loan to the Purchaser for a consideration of HK\$3,882,496.15.

#### **Condition**

Completion of the Agreement is conditional upon:

- (i) a due diligence investigation on Startech and the Property having been completed to the satisfaction of the Purchaser in its sole discretion; and
- (ii) consent of Liu Chong Hing Bank Limited, the mortgagee of the Property, to the Agreement and the transaction contemplated thereunder.

If the condition is not satisfied on or before 28th April, 2006 or such other date as the parties may agree and the Purchaser gives notice to terminate the Agreement, the Agreement shall terminate and the parties shall not have any further claims against each other, save in respect of antecedent breaches. The Vendor shall forthwith return the deposit received by it under the Agreement to the Purchaser, without interest.

Completion will take place on the third business day and after the satisfaction of the conditions or such other day as the parties may agree in writing.

## **Consideration**

Startech is a special purpose vehicle established solely for the purpose of holding the Property. Apart from the Property, it has no further assets. As such, the consideration was based on the value of the Property. An independent valuer has valued the Property at HK\$9,200,000 as at 23rd March, 2006 on the basis of the market value which the valuer defined to mean “the estimated amount for which a Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s - length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion”.

The consideration payable by the Purchaser under the Agreement was arrived that after arms length negotiations between the Vendor and the Purchaser based on the valuation report and the market price of residential properties in similar condition in the same vicinity and taking into account that Startech (which will be wholly owned by the Purchaser after Completion of the Agreement) continues to bear the repayment obligations under the LCH Loan.

The consideration will be funded from the Company’s internal resources.

The consideration payable to the Vendor under the Agreement is HK\$3,882,496.15 and shall satisfied as follows:

- (i) a deposit of HK\$400,000 was paid upon signing of the Agreement; and
- (ii) the balance of the consideration on Completion.

## **Startech**

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Startech was incorporated on 11th August, 2004 and is an investment holding vehicle established solely for the purpose of holding the Property which was acquired in early 2005. The Property is currently occupied by the Vendor but vacant possession is to be delivered on Completion. The Property is mortgaged to the Liu Chong Hing Bank Limited as security for the LCH Loan.

After Completion of the Agreement, Startech will be wholly-owned by the Purchaser and its accounts will be consolidated into that of the Group. The Property will continue to be mortgaged to Liu Chong Hing Bank Limited and Startech continues to bear the repayment obligation for the LCH Loan.

Based on the unaudited financial statements of Startech from 11th August, 2004 (date of incorporation) to 15th March, 2006, the net liability and the net loss before and after taxation of Startech were approximately:

<b>Unaudited Financial Statements of Startech</b>			
<b>In Hong Kong Dollars</b>	<b>11th August, 2004 (date of incorporation) to 31st December, 2004</b>	<b>1st January, 2005 to 31st December, 2005</b>	<b>1st January, 2006 to 15th March, 2006</b>
The net losses before and after taxation	<u>0</u>	<u>115,157</u>	<u>77,657</u>
	<b>As of 31st December, 2004</b>	<b>As of 31st December, 2005</b>	<b>As of 15th March, 2006</b>
Net liabilities	<u>0</u>	<u>115,149</u>	<u>192,806</u>

#### **Reasons for and benefits of the Agreement**

The Property has been valued by an independent valuer at HK\$9,200,000. The consideration payable by the Purchaser comprising HK\$3,882,496.15 in cash together with the repayment obligation for the LCH Loan (effectively in aggregate HK\$9,000,000) reflects a discount to the market value of the Property. Hence, the Agreement provides a good opportunity for the Company to invest in the Property. It is intended that the Property will be held by the Company as an investment.

#### **(4) GENERAL**

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

A circular containing details of the Agreement, the Capital Reorganization and a notice convening the EGM to approve the Adjustment Proposal and the proposed name change, will be despatched to Shareholders as soon as practicable.

The following terms are used in this Announcement:

- “Adjustment Proposal”      the proposal to be put forward to Shareholders for the reduction in nominal value of the Existing Shares by way of a reduction in capital and cancellation of unissued Existing Shares and creation of new shares of HK\$0.10 each as described above in paragraph (i) of the section headed “The Proposed Capital Reorganization”;
- “Adjusted Shares”          shares(s) of HK\$0.10 each in the capital of the Company upon completion of the Adjustment Proposal ;
- “Agreement”                  the conditional sale and purchase agreement dated 24th March, 2006 entered into by the Vendor and the Purchaser in relation to sale and purchase of the Sale Share and the Shareholder’s Loan;

“Capital Reorganization”	the Adjustment Proposal and the proposed cancellation of the share premium account as described in paragraph (iii) of the section headed “The Proposed Capital Reorganization” in this announcement;
“Company”	Inner Mongolia Development (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are traded in the Stock Exchange of Hong Kong Limited;
“Completion”	completion of the Agreement;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Court”	the Grand Court of the Cayman Islands;
“Directors”	the directors of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened as soon as practicable to consider the Adjustment Proposals and the change of name proposal referred to in this announcement;
“Existing Shares”	existing ordinary shares of HK\$0.20 each in the capital of the Company;
“Group”	the Company and its subsidiaries;
“LCH Loan”	a loan outstanding from Liu Chong Hing Bank Limited to Startech, secured by a mortgage on the Property, the outstanding amount of which as at the date hereof is approximately HK\$5,117,000;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	Flat A, 15th Floor and 16th Floor and car parking space no. 1 on Ground Floor, Formwell Garden, 46-48 Blue Pool Road, Hong Kong;
“Purchaser”	Freeman International Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
“Reorganization Proposal”	proposal for the Capital Reorganization as set out in more detail in Section (2) of this announcement;
“Sale Share”	one (1) share, representing the entire issued share capital of Startech;
“Shareholders”	holders of Existing Shares;
“Shareholder’s Loan”	an interest free and repayable on demand a shareholders loan owed by the Startech to the Vendor which as at the date hereof amounts to HK\$5,040,012;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Startech”	Startech Business Limited, a company incorporated in the British Virgin Islands and is wholly-owned by the Vendor;

“Vendor” Fortuna Investment Limited, a company incorporated in the British Virgin Islands; and

“HK\$” Hong Kong Dollars, the lawful currency of Hong Kong.

By order of the Board  
**Kwok Wai Ming**  
*Executive Director*

Hong Kong, 28th March, 2006

*As at the date of this announcement, the Board of Directors of the Company comprises Ms Yau Shum Tek, Cindy (Chairman), Mr Kwong Wai Tim, William (Managing Director), Mr Lai Ming Wai and Ms Kwok Wai Ming, as the Executive Directors, and Mr Lam Ping Cheung, Mr Lo Ming Chi, Charles, Mr Chiu Siu Po, Ms Hui Wai Man, Shirley and Mr Gary Drew Douglas, as the Independent Non-executive Directors.*