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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)

ADVANCES TO ENTITIES AND DISCLOSEABLE TRANSACTIONS

This announcement is made pursuant to Rule 13.13 and 13.15 of the Listing Rules. In addition, certain loan facilities advanced to independent third parties also constituted discloseable transactions of the Company and this announcement is made in compliance with the disclosure requirements in respect of such discloseable transactions.

1. ADVANCES TO ENTITIES

This announcement is made pursuant to Rule 13.13 and 13.15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

One of the subsidiaries of the Company, Hansom Finance Limited (“Hansom Finance”) holds a money lenders licence and is engaged in the money lending business. Hence, from time to time, Hansom Finance has loans receivable due from various borrowers as part of its ordinary course of business.

Each of the following loans receivable exceeded 8% of the assets ratio under Rule 14.07(1) of the Listing Rules and/or the consideration ratio under Rule 14.07(4) of the Listing Rules as at 31st March, 2004:

- (A) A loan facility of HK\$65,000,000 was extended to Lung Hai Trading Limited on 17th December, 2003 at an interest rate of prime rate plus 3% per annum with a maturity date of 18 months from the first drawdown date. The facility was secured by a continuing and unconditional third-party guarantee. The loan facility was not renewed upon expiry and all outstanding balance was repaid. The loan was repaid on 14th July, 2005.
- (B) A loan facility of HK\$45,000,000 was extended to AnDi Industrial Company Limited on 6th January, 2004 at an interest rate of prime rate plus 3% per annum with a maturity date of 12 months from the first drawdown date. The facility was secured by a continuing and unconditional third-party guarantee. The loan facility was not renewed upon expiry and all outstanding balance was repaid on 8th July, 2004.
- (C) A loan facility of HK\$39,061,607 was extended to Ke Ren Industrial Company Limited on 20th January, 2004 at an interest rate of prime rate plus 3% per annum with a maturity date of 12 months from the first drawdown date. The facility was secured by a continuing and unconditional third-party guarantee. The loan facility was not renewed upon expiry and all outstanding balance was repaid on 14th July, 2005.

- (D) A loan facility of HK\$100,000,000 was extended to Best Decade Holdings Limited on 24th February, 2004 at an interest rate of prime rate plus 3% per annum with a maturity date of 36 months from the date the borrower receives the loan in its bank account. The facility is secured by a continuing and unconditional third-party guarantee. The loan facility will mature on 24th February, 2007.
- (E) A loan facility of HK\$53,449,000 was extended to Chau Chung Tak on 15th March, 2004 at an interest rate of prime rate plus 3% per annum with a maturity date of 12 months from the first drawdown date. The facility was unsecured. The loan facility was not renewed upon expiry and all outstanding balance was repaid on 13th July, 2005.
- (F) A loan facility of HK\$57,429,000 was extended to Cheung Chun on 26th March, 2004 at an interest rate of prime rate plus 3% per annum with a maturity date of 12 months from the first drawdown date. The facility was unsecured. The loan facility was not renewed upon expiry and all outstanding balance was repaid on 13th July, 2005.
- (G) A loan facility of HK\$105,000,000 was extended to Texson Limited on 30th March, 2004 at an interest rate of prime rate plus 3% per annum with a maturity date of 36 months from the date the borrower receives the loan in its bank account. The facility is secured by two continuing and unconditional third-party guarantees. The loan facility will mature on 1st April, 2007.

Each of the borrowers of the loans set out in paragraph (A) to (G) above (together with their ultimate beneficial owners, if any) are third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company.

2. DISCLOSEABLE TRANSACTIONS

The loans receivable made to each of Sun Jian and Xiong Ying, when aggregated in respect of each of them, were discloseable transactions under Rule 14.08 of the Listing Rules as at 22nd August, 2005 and 28th July, 2005 respectively. Set out below is a description of the loans receivable to Sun Jian and Xiong Ying:

- (A) Two loan facilities of HK\$4,800,000 and HK\$2,350,000 were extended to Sun Jian on 4th June, 2005 and 22nd August, 2005 respectively both at an interest rate of prime rate per annum with a maturity date of 12 months from the first drawdown date and 12 months from the agreement date. The facilities are unsecured. The loan facilities will mature on 8th June, 2006 and 22nd August, 2006 respectively. When aggregated, the two loan facilities constituted discloseable transactions of the Company upon the entering into of the second loan facility dated 22nd August, 2005.
- (B) Two loan facilities of HK\$3,748,828 and HK\$2,650,000 were extended to Xiong Ying on 10th June, 2005 and 28th July, 2005 respectively at an interest rate of prime rate per annum with maturity date of 12 months from the agreement date. The facilities are unsecured. The loan facilities will mature on 10th June, 2006 and 28th July, 2006 respectively. When aggregated, the two loan facilities constituted discloseable transactions of the Company upon the entering into of the second loan facility dated 28th July, 2005.

The term loans were determined based on arm's length negotiations by the parties and prevailing market terms at that time.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Sun Jian and Xiong Ying (the borrowers of the loans set out in (A) and (B) above) are third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company.

The repayment dates for each of the loans above were determined by commercial agreement between the parties hence the maturity dates and tenor of the loans are all different.

A circular providing details of the above facilities will be dispatched to the shareholders of the Company as soon as practicable.

3. GENERAL

The Company misinterpreted the Listing Rules that the relevant size tests were only to be calculated at the time the loan agreements mentioned in paragraphs (A) to (G) above were entered into. At the time the loan agreements were entered into, Practice Note 19 ("PN19") of the Listing Rules (which was in effect before 31st March, 2004) was applicable and the value of such loans did not exceed 25% of the net assets of the Group, hence no announcement was required to be made pursuant to PN19. Accordingly, the loans set out in paragraph (A) to (G) were not disclosed under Rule 13.13 by way of an announcement and under Rule 13.20 in the Company's interim or annual report when Rule 13.13 and 13.20 of the Listing Rules were introduced on 31st March, 2004. The Company also misinterpreted the Listing Rules and was not aware that Chapter 14 of the Listing Rules was applicable to the loans and hence did not comply with the relevant requirements of Chapter 14 of the Listing Rules in relation to the loans set out in paragraphs (A) and (B) in the section headed "Discloseable Transactions" above at the relevant time of advancing such loans.

The Company is setting up a software programme which will calculate on a daily basis the assets ratios under Rule 14.07(1) of the Listing Rules for loans advanced by Hansom Finance Limited and which will show if the assets ratio exceeds 8% as set out in Rule 13.13 so that the Company is able to consider on a timely basis disclosure requirements under Rule 13.13 and Rule 13.20. This process will be monitored by a designated staff of the Company. The Company will contact its professional advisors in the event that there is any doubt over the calculations or disclosure requirements under the Listing Rules. The software will also be used to monitor discloseable transactions or other notifiable transactions of the Company in respect of the percentage ratios of future transactions of the Company so that the Company will be able to consider on a timely basis disclosure requirements under Chapter 14 of the Listing Rules. In addition, the Company will further upgrade its internal written guidelines to strengthen the Company's compliance with the Listing Rules.

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

Hong Kong, 6th April, 2006

By order of the Board
Yau Shum Tek, Cindy
Chairman

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 Lo Ming Chi, Charles
Mr Chiu Siu Po
Ms Hui Wai Man, Shirley
Mr Gary Drew Douglas