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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)**

**SHARE TRANSACTION  
AND  
RESUMPTION OF TRADING**

**ANNOUNCEMENT**

On 8 June 2006, Heritage and the Company entered into the Agreement whereby the Company agreed to purchase and Heritage agreed to sell or procure the sale of the Sale Shares for a consideration of HK\$11,000,000 to be satisfied by the issue of the Consideration Shares representing approximately 4.30% of the issued share capital as at the date of this announcement and approximately 4.12% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Transaction contemplated under the Agreement constitutes a share transaction of the Company under the Listing Rules.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 9 June 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the shares on the Stock Exchange with effect from 9:30 a.m. on 12 June 2006.

**Terms of the Agreement**

Date: 8 June 2006

Parties: (i) Vendor: Heritage  
(ii) Purchaser: the Company

As at the date hereof, Heritage holds 65,500,000 Shares, representing 5.13% of the issued share capital of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Heritage and the shareholders of Heritage as at the date hereof which have made filings under the Securities and Futures Ordinance are third parties independent of the Company and Connected Persons of the Company.

Terms: Subject to satisfaction of the Conditions described below, Heritage agreed to sell and to procure that its wholly-owned subsidiary holding the Sale Shares sells to the Company or as its subsidiaries the Sale Shares for a consideration of HK\$11,000,000.

The consideration shall be HK\$11,000,000 and shall be satisfied by the issue and allotment of 55,000,000 Consideration Shares at HK\$0.20 per Consideration Share. The Consideration Shares represent approximately 4.30% of the issued share capital as at the date of this announcement and approximately 4.12% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Consideration Shares when issued will rank *pari passu* with all other Shares in issue on completion of the Agreement.

The issue price of HK\$0.20 per Consideration Share represents (i) 16.95% premium to the last traded price of HK\$0.171 per Share quoted on the Stock Exchange on 8 June 2006 prior to the suspension of trading in the Shares; and (ii) a discount of approximately 0.79% to the average closing price of approximately HK\$0.2016 per Share as quoted on the Stock Exchange for the last five trading days immediately before the issue of this announcement.

The Consideration payable by the Company was fixed after arm's length negotiation by the Company with reference with market price of the Shares of the Company and the prospects and development of the HMIL Group. The Company paid a consideration per HMIL Share representing a premium to the net asset value per HMIL Share as at 31 December 2005 as the Company is keen to consolidate control of HMIL and is willing to pay a premium for doing so.

The directors of the Company are of the view that the Transaction is fair and reasonable and in the interests of shareholders as a whole.

Conditions: Completion of the Agreement is conditional upon the satisfaction of the following conditions (the "Conditions"):

- (i) the approval by Shareholders at the extraordinary general meeting of the Agreement and transactions contemplated thereunder, if required under the Listing Rules;
- (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
- (iii) the Company having completed and being satisfied with the results of the legal and financial due diligence on HMIL and its subsidiaries; and
- (iv) all necessary approvals from the regulatory authorities in Hong Kong which are required as a result of the Transactions contemplated hereunder (to the extent required by law or regulation).

If the conditions are not satisfied on or before 5:00 p.m. on 31 August 2006 (or such later date as the parties may agree) then the Agreement shall terminate, the rights and obligations of each parties hereunder shall cease and the parties shall have no further claims against each other save for claims in respect of antecedent breaches.

Completion: Completion shall take place on the third business day after the satisfaction of the Conditions, or such other date as the parties may agree.

The Consideration Shares will be issued under the general mandate granted by Shareholders to the Directors to issue shares at the extraordinary general meeting held on 6 March 2006.

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

## **GENERAL INFORMATION**

HMIL through its subsidiaries is engaged in investment holding, provision of financial services including brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment.

The shares of HMIL are not listed on any stock exchange.

The audited consolidated net losses of HMIL for the two financial years ended 31 December 2004 and 31 December 2005 were approximately HK\$421.2 million and HK\$222.6 million respectively. The net asset value of HMIL based on the unaudited management account for the period ended 31 March 2006 was approximately HK\$108.9 million. The audited net asset value of HMIL as at 31 December 2005 was approximately HK\$62.7 million.

Heritage is engaged in investing in property, securities and money lending business.

Inner Mongolia, through various subsidiaries, is engaged in trading of goods, provision of finance, trading of securities, property holding and investment activities.

## **REASONS OF AND BENEFITS FOR THE TRANSACTION**

Inner Mongolia is endeavouring to further develop the businesses of provision of finance, trading of securities and investment activities. Pursuant to the Company's announcement dated 2 May 2006, the Company has agreed to acquire the Convertible Note which gives the Company upon exercise of conversion rights thereunder an interest in approximately 50.07%% of the issued share capital of HMIL (assuming no further shares are issued by HMIL from the date of this announcement till the date of Conversion). The Company now holds approximately 1.15% of the existing issued share capital of HMIL. Upon Completion of the Agreement and assuming full conversion of the Convertible Notes, the Company will hold approximately 53.73% of the enlarged issued share capital of HMIL. The Agreement allows the Company to consolidate control in HMIL, which will enable the Company to integrate and strengthen its resources and enlarge the client base, with a view to the Company becoming a leading and sophisticated investment service advisor and finance provider in the market.

The Company may acquire further HMIL Shares, if an appropriate opportunity arises.

## EFFECT ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the issue of the Consideration Shares are set out below:

Name of Shareholders	Number of shares held at the date of this announcement	Percentage of issued share capital at the date of this announcement	Number of shares held immediately after the issue of Consideration Shares	Percentage of entire issue share capital of the Company immediately after the issue of Consideration Shares
Chuang Eugene Yue-chien	100,948,000	7.90%	100,948,000	7.58%
Heritage	65,500,000	5.13%	120,500,000	9.05%
Yau Shum Tek, Cindy	26,730,000	2.09%	26,730,000	2.00%
<b>PUBLIC SHAREHOLDERS</b>				
Others	1,083,878,202	84.88%	1,083,878,202	81.37%
	<u>1,277,056,202</u>	<u>100.00%</u>	<u>1,332,056,202</u>	<u>100.00%</u>

## TOTAL FUNDS RAISED IN THE PAST 12 MONTHS

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
13 June 2005	Placing of 20,000,000 new Shares under the First Placing Agreement dated 13 June 2005	HK\$10.4 million	Yes	HK\$5.2 million – general working capital  HK\$5.2 million – investments (including trading of commodities such as metal and iron ore)	HK\$8.4 million – general working capital  HK\$2 million – deposit for trading of commodities – iron ore
13 June 2005	Placing of 40,000,000 new Shares under the Second Placing Agreement dated 13 June 2005	up to HK\$20.9 million	No  The Second Placing Agreement was terminated on 6 January 2006	HK\$10.45 million – investments  HK\$10.45 million – working capital	N/A
13 June 2005	Subscription of 35,000,000 new Shares under the Subscription Agreement dated 13 June 2005	HK\$20.2 million	No  The Subscription Agreement was terminated on 1 February 2006	HK\$10.1 million – investments  HK\$10.1 million – working capital	N/A

<b>Date of Agreement</b>	<b>Transaction</b>	<b>Net proceeds raised/ to be raised</b>	<b>Completed</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
13 June 2005	Placing of HK\$48 million convertible notes under the Convertible Notes Placing Agreement dated 13 June 2005	up to HK\$46.6 million	No  The Convertible Notes Placing Agreement was terminated on 6 January 2006	HK\$23.3 million – investments  HK\$23.3 million – working capital	N/A
1 December 2005	Placing of 44,000,000 new Shares under the Placing Agreement dated 1 December 2005	HK\$28.8 million	Yes	HK\$14.4 million – general working capital  HK\$14.4 million – investments	HK\$13.8 million – investment in financial assets  HK\$15 million – general working capital
30 December 2005	Underwritten Placing of 250 million shares pursuant to the Placing Agreement dated 30 December 2005	HK\$48.3 million	Yes	To be used for investments in a financial services group and other investments	HK\$47.8 million – general working capital  HK\$0.5 million – deposit to acquire two investment properties
30 December 2005	Best Effort Placing of 750 million shares pursuant to the Placing Agreement dated 30 December 2005	HK\$146.4 million	Yes	To be used for investments in a financial services group and other investments	HK\$100 million – acquire HK\$131 million Convertible Note issued by HMIL  HK\$6.3 million – balance payment of acquire two investment properties  HK\$7 million – investment in financial assets  HK\$33.1 million – general working capital

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.

## **LISTING RULES IMPLICATION**

The Transaction contemplated under the Agreement constitutes a share transaction of the Company under the Listing Rules as the relevant percentage ratios for the Transaction calculated in accordance with Rule 14.07 of the Listing Rules are all less than 5%.

## RESUMPTION OF TRADING

At the request of the Company, trading in the shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 9 June 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the shares on the Stock Exchange with effect from 9:30 a.m. on 12 June 2006.

## DEFINITIONS

The following terms are used in this announcement with the meanings set opposite them:

“Agreement”	the conditional agreement dated 8 June 2006 entered into between the Company and Heritage relating to the Transaction;
“Associates”	has the meaning ascribed thereto in the Listing Rules;
“Company”	Inner Mongolia Development (Holdings) Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Transaction under the Agreement;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Consideration Shares”	55,000,000 new Shares to be issued to the Vendor by the Company under the Agreement;
“Conversion”	the proposed exercise of conversion rights under the Convertible Note by Equity Spin Investments Limited (a wholly-owned subsidiary of the Company) to convert into shares in HMIL as described in more detail in the Company’s announcement dated 2 May 2006 and circular dated 24 May 2006;
“Convertible Note”	a 8% convertible note issued by HMIL in the outstanding principal amount of HK\$131 million due on 20 September 2015;
“Directors”	the directors of the Company;
“HMIL”	Hennabun Management International Limited, a company incorporated in the British Virgin Islands;
“HMIL Shares”	shares of par value of US\$0.01 each in HMIL;
“Heritage”	Heritage International Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Sale Shares”	53,800,000 HMIL Shares, representing approximately 6.18% existing issued share capital of HMIL;

“Shares”	shares of a par value of HK\$0.20 each in the capital of the Company;
“Shareholders”	holders of Shares in the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Transaction”	the proposed sale of the Sale Shares pursuant to the Agreement.

As at the date of this announcement, the Board of Inner Mongolia comprises four executive directors, namely, Ms Yau Shum Tek, Cindy (Chairman), Mr Kwong Wai Tim, William (Managing Director), Mr Lai Ming Wai and Ms Kwok Wai Ming and five independent non-executive directors, namely Mr Lam Ping Cheung, Mr Lo Ming Chi, Charles, Mr Chiu Siu Po, Ms Hui Wai Man, Shirley and Mr Gary Drew Douglas.

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

Hong Kong, 9 June 2006