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INNER MONGOLIA DEVELOPMENT (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 279)



Willie International Holdings Limited
威利國際控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 273)

**MAJOR TRANSACTION AND
RESUMPTION OF TRADING**

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JOINT ANNOUNCEMENT

On 21st April, 2006, Equity Spin (a wholly-owned subsidiary of Inner Mongolia) and Yearwise (a wholly-owned subsidiary of Willie International) entered into the Agreement whereby Equity Spin agreed to purchase and Yearwise agreed to sell its rights, title and interest in the Convertible Note. Equity Spin will exercise its conversion rights under the Convertible Note to convert into shares in HMIL immediately after Completion.

The Transaction contemplated under the Agreement and the Conversion constitute a major transaction of Inner Mongolia under the Listing Rules and is therefore subject to the approval of Inner Mongolia's shareholders at Inner Mongolia's EGM. A circular setting out the details of the Transaction and the Conversion together with a notice of Inner Mongolia's EGM will be despatched to the shareholders of Inner Mongolia pursuant to Chapter 14 of the Listing Rules accordingly.

The Transaction contemplated under the Agreement constitutes a major transaction of Willie International under the Listing Rules and is subject to the approval of Willie International's shareholders at Willie International's EGM. A circular setting out the details of the Transaction together with a notice of Willie International's EGM will be despatched to the shareholders of Willie International pursuant to Chapter 14 of the Listing Rules accordingly.

At the request of Inner Mongolia and Willie International, trading in the shares of both companies on the Stock Exchange was suspended with effect from 9:30 a.m. on 20th April, 2006 pending the release of this announcement. Application has been made by Inner Mongolia and Willie International for the resumption of trading in the shares on the Stock Exchange with effect from 9:30 a.m. on 3rd May, 2006.

Terms of the Agreement

Date: 21st April, 2006

Parties:

- (i) Vendor: Yearwise
- (ii) Purchaser: Equity Spin
- (iii) Guarantor of Vendor: Willie International. To the best of the directors' knowledge, information and belief having made all reasonable enquiries, Inner Mongolia and the ultimate beneficial owners of Inner Mongolia are third parties independent of Willie International.
- (iv) Guarantor of Purchaser: Inner Mongolia. To the best of the directors' knowledge, information and belief having made all reasonable enquiries, Willie International and the ultimate beneficial owners of Willie International are third parties independent of Inner Mongolia and connected persons of Inner Mongolia.

Terms: Subject to satisfaction of the Conditions described below:-

- (i) Yearwise agreed to sell to Equity Spin all Yearwise's rights, title and interests in the Convertible Note for a consideration of HK\$100,000,000; and
- (ii) the consideration shall be satisfied wholly by cash in the following manner:
 - (a) a refundable deposit of HK\$25,000,000, representing 25% of the total consideration has been paid by Equity Spin upon execution of the Agreement; and
 - (b) the balance of HK\$75,000,000 shall be paid by cash upon Completion.

The Consideration payable by Equity Spin was fixed after arm's length negotiation by Yearwise and Equity Spin having taken into account of the development of HMIL and the consolidated net asset value of HMIL after Completion.

Inner Mongolia and its subsidiaries would fund the Transaction by their internal resources.

Conditions: Completion of the Agreement is conditional upon the following conditions (the “Conditions”):-

- (i) Inner Mongolia, the ultimate holding company of Equity Spin having obtained the approval of its shareholders (as required by the Listing Rules) for the purchase of the Convertible Note as contemplated under the Agreement and the subsequent exercise of conversion rights under the Convertible Note in full by Equity Spin to convert into shares of HMIL;
- (ii) Willie International, the ultimate holding company of Yearwise having obtained the approval of its shareholders (as required by the Listing Rules) for the sale of the Convertible Note as contemplated under the Agreement;
- (iii) Equity Spin having completed and being satisfied with the results of the legal and financial due diligence on HMIL and its subsidiaries and as to status of compliance by HMIL with the terms of the Convertible Note; and
- (iv) all necessary approvals being obtained from the Securities and Futures Commission, the Stock Exchange, Hong Kong Futures Exchange Limited and any other relevant authorities to the extent required under the relevant laws and regulations for the change in shareholding structure of Radland International Limited, CU Corporate Finance Limited, Chung Nam Commodities Limited and Chung Nam Securities Limited as a result of the purchase and conversion of the Convertible Note by Equity Spin.

If the conditions are not satisfied or waived (in the case of (iii) and (iv) above) on or before 5:00 p.m. on 17 July, 2006 (or such later date as Equity Spin and Yearwise may agree) then the deposit shall be refunded without interest to Equity Spin and the Agreement shall terminate and the parties shall have no further claims against each other save for claims in respect of antecedent breaches.

Radland International Limited, CU Corporate Finance Limited, Chung Nam Commodities Limited and Chung Nam Securities Limited are all indirect wholly-owned subsidiaries of HMIL.

Completion: Completion shall take place on the third business day after the satisfaction or waiver of the Conditions (in the case of (iii) and (iv) above), or such other date as the parties may agree. If Completion does not take place in accordance with the Agreement, the deposit shall be refunded without interest to Equity Spin.

If Inner Mongolia waives the satisfaction of the condition set out in (iv) above and proceeds to Completion, it intends to hold the Convertible Note and exercise conversion rights thereunder after all necessary approvals from the regulatory authorities are obtained.

Terms of the Convertible Note

The terms of the Convertible Note are set out as follows:-

Issuer

HMIL, currently held approximately 35.55% by Willie International.

Outstanding Principal amount of the Convertible Note

HK\$131 million

Issue Date

21st September, 2005

Maturity

The Convertible Note will mature on the day immediately preceding the tenth anniversary from the date of issue. On maturity, to the extent that the Convertible Note is not redeemed or converted, HMIL will repay the Convertible Note.

Interest

The Convertible Note bears interest at 8% per annum, payable monthly.

Conversion

The outstanding principal amount of the Convertible Note may be converted into HMIL Shares by the holder of the Convertible Note in amounts or integral multiples of HK\$500,000 at any time from the date of issue up to seven days before (and excluding) the maturity date of the Convertible Note. There is no automatic conversion on maturity of the Convertible Note.

Conversion Price

The initial conversion price of the Convertible Note was HK\$0.25 per HMIL Share. In January 2006, the Conversion Price was adjusted to HK\$0.15 per HMIL Share as a result of an issue of HMIL Shares to third parties.

Early Redemption

The Convertible Note is redeemable at 100% of its outstanding principal amount together with accrued interest at any time from the date of issue up to seven days before (and excluding) the maturity date of the Convertible Note at the option of HMIL. To the extent that the Convertible Note is not redeemed or converted on maturity, HMIL will repay the Convertible Note.

Shares to be issued upon conversion

The HMIL Shares to be issued upon conversion of the Convertible Note will when issued rank equally in all respects among themselves and with the HMIL Shares in issue on the relevant date of conversion.

If the Convertible Note is converted in full at the Conversion Price of HK\$0.15 per HMIL Share, a total of 873,333,333 HMIL Shares will be issued. These HMIL Shares represent approximately 100.27% of the existing issued share capital of HMIL, and approximately 50.07% of the issued share capital of HMIL as enlarged by the new HMIL Shares to be issued upon conversion of the Convertible Note (assuming no further shares are issued by HMIL from the date of this announcement till the date of conversion).

HMIL is currently indirectly held as to approximately 35.55% by Willie International and approximately 1.15% by Inner Mongolia. The balance of the shareholdings in HMIL are indirectly held by eight other companies, the shares of each of which are listed on the main board of the Stock Exchange, one independent financial institution and two independent third parties.

Voting rights of holders of the Convertible Note

The holder of the Convertible Note will not have any right to attend or vote at any meetings of HMIL by virtue of it being the holder of the Convertible Note.

Transferability

The Convertible Note will be transferable in authorised denominations of HK\$500,000.

CONVERSION OF CONVERTIBLE NOTE

Equity Spin will exercise its conversion rights in full under the Convertible Note to convert into shares in HMIL as soon as practicable after Completion subject to all necessary approvals from the regulatory authorities being obtained, to the extent required. Assuming no further shares are issued by HMIL from the date of this announcement till the date of conversion and using the conversion price of HK\$0.15 per HMIL Share, the indirect shareholding of Inner Mongolia in HMIL will be approximately in aggregate 50.64% of the issued share capital of HMIL as enlarged by the new HMIL shares to be issued upon conversion of the Convertible Note and HMIL will become a subsidiary of Inner Mongolia. There is no restriction on the subsequent disposal of HMIL Shares by Equity Spin.

GENERAL INFORMATION

HMIL is the financial services group which Inner Mongolia is considering to invest in as stated in its previous announcement dated 2nd February, 2006. 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 31st December, 2004 and 31st 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 28th February, 2006 was approximately HK\$108.6 million. The audited net asset value of HMIL as at 31st December, 2005 was approximately HK\$62.7 million.

Willie International, through various subsidiaries, is engaged in the businesses of property investments, investment in trading securities, provision of brokerage and financial services and investments in coke and related gas chemical business. Yearwise is a wholly owned subsidiary of Willie International and an investment holding company.

The consideration of HK\$100 million for the disposal of HK\$131 million Convertible Note was arrived at after arms length negotiation between Yearwise and Equity Spin and represents an effective conversion price of HK\$0.1145 per HMIL Share which represents (i) 13.37% premium to the audited net asset value per HMIL share of HK\$0.101 as at 31st December, 2005; (ii) 8.4% discount to the unaudited net asset value per HMIL share of HK\$0.125 as at 28th February, 2006; and (iii) 16.42% discount to the pro-forma net asset value per HMIL share of HK\$0.137 after Equity Spin fully converts the Convertible Note.

There will be a deemed gain on the dilution of Willie International's interest in HMIL from 35.55% to 17.75% by approximately HK\$3.9 million, calculated based on the net asset value of HMIL per its unaudited management accounts as at 28th February, 2006 and adjusted for the effect of the conversion of the Convertible Note. On the other hand, the disposal of the Convertible Note will result in a loss of HK\$31 million. As a result, the net effect of the disposal of the Convertible Note is a net loss of HK\$27.1 million.

Inner Mongolia, through various subsidiaries, is engaged in trading of goods, provision of finance, trading of securities, property holding and investment activities. Equity Spin is a wholly-owned subsidiary of Inner Mongolia and an investment holding company.

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. The Transaction and the Conversion will enable Inner Mongolia to integrate and strengthen its resources and enlarge the client base, with a view to Inner Mongolia becoming a leading and sophisticated investment service advisor and finance provider in the market.

The directors of Inner Mongolia are of the view that the terms of the Transaction and the Conversion are fair and reasonable and in the interests of shareholders as a whole.

The Convertible Note was issued to Willie International on 21st September, 2005 as referred in Willie International's announcement dated 3rd August, 2005 and circular dated 24th August, 2005. The principal amount of the Convertible Note was initially HK\$146 million. As at the date of this announcement, the outstanding principal amount is HK\$131 million.

Willie International considers that the disposal of the Convertible Note can increase its cash position by approximately HK\$99.5 million for working capital and other investment opportunities. Moreover, Willie International's interest in HMIL will be diluted from 35.55% to 17.75% after the conversion of the Convertible Note and will record an unaudited deemed disposal gain in the approximate amount of HK\$3.9 million.

Willie International has undertaken a review and evaluation on its existing investments of the group as well as available investment opportunities. The disposal of the Convertible Note is one of the measures to adjust the size of Willie International's investment in HMIL which will enable Willie International to apply the sale proceeds for working capital and other investment opportunities. Willie International is of the view that readily available cash of approximately HK\$99.5 million to be used for other investment opportunities is likely to be more beneficial to the Company and its shareholders than to wait for the repayment of the Convertible Note in 2015.

LISTING RULES IMPLICATION

The Transaction contemplated under the Agreement and the Conversion constitute a major transaction of Inner Mongolia under the Listing Rules and is therefore subject to the approval of Inner Mongolia's shareholders at Inner Mongolia's EGM. A circular setting out the details of the Transaction and the Conversion together with a notice of Inner Mongolia's EGM will be despatched to the shareholders of Inner Mongolia pursuant to Chapter 14 of the Listing Rules accordingly.

The Transaction contemplated under the Agreement constitutes a major transaction of Willie International under the Listing Rules and is therefore subject to the approval of Willie International's shareholders at Willie International's EGM. A circular setting out the details of the Transaction together with a notice of Willie International's EGM will be despatched to the shareholders of Willie International pursuant to Chapter 14 of the Listing Rules accordingly.

RESUMPTION OF TRADING

At the request of Inner Mongolia, trading in the shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 20th April, 2006 pending the release of this announcement. Application has been made by Inner Mongolia for the resumption of trading in the shares on the Stock Exchange with effect from 9:30 a.m. on 3rd May, 2006.

At the request of Willie International, trading in the shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 20th April, 2006 pending the release of this announcement. Application has been made by Willie International for the resumption of trading in the shares on the Stock Exchange with effect from 9:30 a.m. on 3rd May, 2006.

DEFINITIONS

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

“Agreement”	the conditional agreement dated 21st April, 2006 and a supplemental agreement dated 2nd May, 2006 entered into between Yearwise and Equity Spin relating to the Transaction;
“Associates”	has the meaning ascribed thereto in the Listing Rules;
“Completion”	completion of the Transaction under the Agreement;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Conversion”	the proposed exercise of conversion rights under the Convertible Note by Equity Spin to convert into shares in HMIL;
“Conversion Price”	the conversion price of the Convertible Note of HK\$0.15 per HMIL Share;
“Convertible Note”	a 8% convertible note issued by HMIL in the outstanding principal amount of HK\$131 million due on 20th September, 2015, which is the subject of the sale under the Agreement;
“Equity Spin”	Equity Spin Investments Limited, a wholly-owned subsidiary of Inner Mongolia;
“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;
“Inner Mongolia”	Inner Mongolia Development (Holdings) Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange of Hong Kong;
“Inner Mongolia’s EGM”	the extraordinary general meeting of Inner Mongolia to be held to approve the Transaction and the Conversion;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the proposed sale of the Convertible Note pursuant to the Agreement;

“Willie International”	Willie International Holdings Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
“Willie International’s EGM”	the extraordinary general meeting of Willie International to be held to approve the Transaction; and
“Yearwise”	Yearwise Finance Limited, a wholly-owned subsidiary of Willie International.

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.

As at the date of this announcement, the board of Willie International comprises four executive directors, namely, Mr. Chuang Yueheng, Henry, Mr. King Phillip, Mr. Lo Kan Sun, and Mr. Wong Ying Seung, Asiong and five independent non-executive directors, namely Mr. Lam Ping Cheung, Mr. Miu Frank H, Mr. Nakajima Toshiharu, Ms. Lin Wai Yi and Mr. Liu Jian.

By order of the board of directors of
Inner Mongolia Development (Holdings) Limited
Yau Shum Tek, Cindy
Chairman

By order of the board of directors of
Willie International Holdings Limited
King Phillip
Managing Director

Hong Kong, 2nd May, 2006

Please also refer to the published version of this announcement in The Standard and China Daily.