

IN THE GRAND COURT OF THE CAYMAN ISLANDS

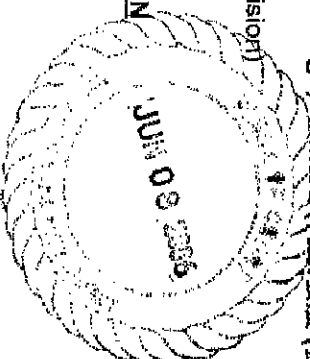
Case paid	\$150
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CAUSE NO. 220 OF 2006

In the matter of Inner Mongolia Development (Holdings) Limited (內蒙發展(控股)有限公司)

And in the matter of the Companies Law (2004 Revision)

And Grand Court Rules 1995 Order 102



PETITION

TO: The Grand Court of the Cayman Islands

THE PETITION of Inner Mongolia Development (Holdings) Limited (內蒙發展(控股)有限公司) shows as follows:

1. The object of this Petition is to seek an Order of the Court pursuant to section 15 of the Companies Law (2004 Revision) (the "Companies Law") confirming a reduction of the capital of your Petitioner Inner Mongolia Development (Holdings) Limited (內蒙發展(控股)有限公司) (the "Company").
2. The Company was incorporated under the Companies Law on 14 August 1992 with the name "Tung Fong Hung (Holdings) Limited" and registered in the Cayman Islands as an exempted company with registration number CR-43978. On 27 February 2001, the name of the Company was changed from "Tung Fong Hung (Holdings) Limited" to "Hanson Eastern (Holdings) Limited (恒盛東方控股有限公司)". On 4 August 2005, the name of the Company was changed from "Hanson Eastern (Holdings) Limited" to "Inner Mongolia Development (Holdings) Limited (內蒙發展(控股)有限公司)". By a special resolution of the shareholders of the Company passed on 11 May 2006, the name of the Company was further 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)”，the name change is still subject to the approval of the Companies Registry of the Cayman Islands.

3. The registered office of the Company is situated at P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

4. As at the date of incorporation of the Company on 14 August 1992, its authorised share capital was HK\$200,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.10 each. By a special resolution passed by the then shareholders of the Company on 20 October 1992, its authorised share capital was increased from HK\$200,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.10 each to HK\$600,000,000 divided into 6,000,000,000 ordinary shares of HK\$0.10 each. By a special resolution passed by the then shareholders of the Company on 10 November 1997, the authorised share capital was increased from HK\$600,000,000 divided into 6,000,000,000 ordinary shares of HK\$0.10 each to HK\$2,000,000,000 divided into 20,000,000,000 ordinary shares of HK\$0.10 each. By another special resolution passed by the then shareholders of the Company on 23 September 1998, the authorised share capital was reduced from HK\$2,000,000,000 divided into 20,000,000,000 ordinary shares of HK\$0.10 each to HK\$1,541,783,341.50 divided into 15,417,833,415 ordinary shares of HK\$0.10 each, each share of HK\$0.10 was further subdivided into 50 shares of HK\$0.002 each, the amount standing on the credit of the share premium account was applied to set off the losses of the Company, and every 50 shares of HK\$0.002 each were consolidated into one share HK\$0.10 each. By a resolution passed by the then shareholders of the Company on 27 February 2001, the Company carried out a share subdivision on the basis that every 1 share of HK\$0.10 each was subdivided into 10 shares of HK\$0.01 each and the authorized share capital was increased from HK\$1,541,783,341.50 to HK\$2,000,000,000 divided into 200,000,000 ordinary shares of HK\$0.01 each. By a resolution of the then shareholders of the Company passed on 4 August 2005, every 20 shares of HK\$0.01 each in the issued and unissued share capital were consolidated into 1 share of HK\$0.20 each (“Existing Shares”) and the authorised share capital of the Company has become HK\$2,000,000,000 divided into 10,000,000,000 Existing Shares.

5. The Existing Shares are listed on The Stock Exchange of Hong Kong Limited since October 1992. Over the years, the Company has allotted and issued various tranches of ordinary shares, being the only class of shares of the Company. As at the date of this petition, the authorised share capital of the Company is HK\$2,000,000,000 divided into 10,000,000,000 Existing Shares and its issued share capital is HK\$255,411,240.40 divided into 1,277,056,202 Existing Shares.

6. The objects for which the Company was formed are unrestricted and the Company has full power and authority to exercise all the functions of a natural person of full capacity in respect of any question of corporate benefit, as provided by section 27(2) of the Companies Law.

7. The Articles of Association of the Company provide, *inter alia*, as follows:

Article 59(a) "The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sales) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and

interests or may be paid to the Company for the Company's benefit;

(ii) cancel any shares which at the date of passing of the resolution have not been taken or agreed to be taken by person, and diminish the amount of its share capital by the amount of the shares so cancelled; and

(iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares."

Article 59(b) "The Company may by special resolution, reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Law."

8. By a special resolution of the Company (the "Special Resolution") duly passed in accordance with section 14(1) of the Companies Law at an extraordinary general meeting held on 11 May 2006 (the "Extraordinary General Meeting"), it was resolved:

"THAT conditional upon (i) approval by the Grand Court of the Cayman Islands (the "Court") and (ii) compliance with any conditions imposed by the Court and with effect from the date on those conditions and fulfilled:

(A) the issued share capital of the Company as of the date filing the order of the Court relating to the Capital Reduction (as defined below) at the Registrar of the Companies of the Cayman Islands ("Order Date") be reduced by canceling paid

- up capital to the extent of HK\$0.10 on each of the Shares in issue of the date of this resolution (the "Capital Reduction") so that each issued share of HK\$0.20 in the capital of the Company shall be treated as one fully paid up share of HK\$0.10 in the capital of the Company ("Adjusted Share") and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied;
- (B) the unissued shares as at the Order Date of HK\$0.20 in the capital of the Company be cancelled;
- (C) the authorised share capital of the Company be increased by creating a number of new shares of HK\$0.10 each equivalent to the same number of the unissued shares cancelled under paragraph (B) above;
- (D) the credit arising from the Capital Reduction 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 30 September 2005;
- (E) 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 30 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\$327 million as shown in the unaudited financial statements of the Company for the six months ended 30 September 2005 after applying the credit arising from the Capital Reduction;
- (F) all the Adjusted Shares resulting from the Capital Reduction shall rank *pari passu* in all respects and have the rights and privileges and be subject to the restrictions contained in the Company's Articles of Association; and

(G) the directors of the Company be and are hereby authorized generally to do all things they may consider appropriate and desirable to effect and implement any of the foregoing.”

Each of the capitalised terms referred to in the Special Resolution above are defined in the information circular exhibited to the affidavit of Lai Ming Wai (“LMW-5”).

10. The number of members of the Company present and voting in person or by corporate representatives or by proxy at the Extraordinary General Meeting is as set out in the table below:-

	Present & Voting	For	Against
How Present	No.	No.	No.
In person/by corporate representatives	13 members	9 members	0 members
By proxy	1 member	1 member	0 members
Total	14 members	10 members	0 members

As appeared from the table, the Extraordinary General Meeting was attended in person or by corporate representatives or by proxy by 14 members, 10 voted in favour of the resolution and none voted against the resolution. No poll was demanded or taken at the Extraordinary General Meeting. The resolution was voted on by way of a show of hands and the members present and voting in person or by corporate representatives or by proxy at the Extraordinary General Meeting represents more than three-fourths of the votes cast for the resolution approved the Capital Reorganisation and therefore the chairman of the Extraordinary General Meeting declared the resolution passed in accordance with the Articles of Association of the Company.

11. There was an accumulated loss of approximately HK\$493 million as shown in the unaudited financial statements of the Company for the nine months ended 31 December 2005. The purpose of the proposed Capital Reorganisation is to enable the Company to apply the credit arising from the Capital Reorganisation towards cancelling the

accumulated deficit of the Company. The Capital Reorganisation will also provide greater flexibility in pricing future capital raising exercises when circumstances arise.

12. The proposed Capital Reorganisation does not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital. Furthermore, the Capital Reorganisation will not alter the underlying assets, business operations, management or financial position of the Company and thus will have no direct impact on creditors nor will it affect the proportionate interests of the shareholders.

13. The form of Minute proposed to be registered is as follows:—

“The issued share capital of Inner Mongolia Development (Holdings) Limited (內蒙發展 (控股) 有限公司) (the “Company”) was by virtue of a Special Resolution passed on 11 May 2006 and with the sanction of an Order of the Grand Court of the Cayman Islands dated [1], 2006, reduced from HK\$255,411,240.40 divided into 1,277,056,202 ordinary shares of HK\$0.20 each to HK\$127,705,620.20 divided into 1,277,056,202 ordinary shares of HK\$0.10 each (the “Capital Reorganisation”). Upon the Capital Reorganisation becoming effective, all of the authorised but unissued share capital of the Company (including the authorised but unissued share capital of the Company arising from the Capital Reorganisation) was cancelled and forthwith upon such cancellation, the authorised share capital of the Company was immediately increased to HK\$1,000,000,000 by the creation of the requisite number of new shares of HK\$0.10 each. As at the date of the registration of this Minute, the authorised share capital of the Company is HK\$1,000,000,000 divided into shares of HK\$0.10 each, of which 1,277,056,202 ordinary shares of HK\$0.10 each have been issued and are fully paid or credited as fully paid.”