THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Minmetals Land Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

五礦建設有限公司*

MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

PROPOSED MAJOR AND CONNECTED TRANSACTION

FORMATION OF JOINT VENTURE FOR A PROPERTY DEVELOPMENT PROJECT IN CHANGSHA, HUNAN PROVINCE, THE PRC

Financial adviser to Minmetals Land Limited

MANAGEMENT CAPITAL LIMITED

Independent financial adviser to the Independent Board Committee and Independent Shareholders of Minmetals Land Limited

ACCESS
CAPITAL

A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular.

A letter from Access Capital containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 19 to 29 of this circular.

A notice convening the SGM to be held at Garden Rooms, 2/F., The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 20 July 2007 at 10:00 a.m. is set out on pages 113 to 114 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* *For identification purpose only*

5 July 2007

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Access Capital"	Access Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
"Agreements"	the agreements that were entered into amongst MLC, JS and JSS on 30 May 2007, comprising the Capital Expansion Agreement and the JV Agreement
"associate"	has the same meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Capital Expansion Agreement"	the agreement dated 30 May 2007 entered into amongst MLC, JS and JSS in relation to the proposed capital expansion of JH
"chief executive"	has the same meaning as ascribed to it under the Listing Rules
"China Minmetals"	China Minmetals Corporation, a State-owned enterprise in the PRC, owns as to 100% equity interest in China Minmetals H.K. (Holdings) Limited which in turn owns as to 100% equity interest in June Glory, the controlling shareholder of the Company
"Company"	Minmetals Land Limited (formerly known as ONFEM Holdings Limited), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"connected persons"	has the same meaning as ascribed to it under the Listing Rules
"controlling shareholder"	has the same meaning as ascribed to it under the Listing Rules
"Directors"	the directors (including independent non-executive directors) of the Company
"Enlarged Group"	the Group after completion of the Transaction

"Ershisanye"	二十三冶建設集團有限公司 (Ershisanye Construction Group Co. Ltd.), an enterprise which was founded in 1953 and established under the laws of the PRC with limited liability, and is owned as to 73.19%, 20% and 6.81% by China Minmetals, State-owned Assets Supervision & Administration Commission of Hunan Provincial People's Government (湖南省人民政府國有資產監督管理委員會) and 二十三冶建設集團有限公司工會 respectively
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company comprising Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria, being all of the independent non-executive Directors of the Company, which has been formed by the Board to advise the Independent Shareholders in respect of the Transaction
"Independent Shareholders"	the Shareholders other than June Glory and its associates, and excluding any Shareholder who has a material interest in the Transaction
"JH" or "JVCo"	湖南嘉和日盛房地產開發有限公司, an enterprise established under the laws of the PRC on 23 April 2007 with limited liability, is owned as to 90% and 10% by JS and JSS respectively as at the Latest Practicable Date, and is intended to be transformed into a Sino-foreign equity joint venture company with limited liability registered in Changsha, Hunan Province, the PRC upon completion of the Capital Expansion Agreement
"JS"	湖南嘉盛房地產開發有限責任公司, an enterprise established under the laws of the PRC with limited liability, is a wholly-owned subsidiary of Ershisanye
"JSS"	湖南嘉盛營銷策劃有限公司, an enterprise established under the laws of the PRC with limited liability, is a wholly-owned subsidiary of JS
"June Glory"	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of China Minmetals H.K. (Holdings) Limited, and controlled approximately 53.83% equity interest in the Company as at the Latest Practicable Date and is the controlling shareholder of the Company

"JV Agreement"	the agreement dated 30 May 2007 entered into amongst MLC, JS and JSS in relation to the establishment of JVCo
"Land"	the two parcels of adjoining land with a total gross site area of approximately 633,000 square metres located at Yuetang Village (月塘村) and Gaotang Village (高塘村), Muyun Town (暮雲鎮), Changsha County (長沙縣), Changsha City (長沙市), Hunan Province (湖南省), the PRC, and described as Land Nos. (Gua) [2007] 09 and 10 in the Confirmation of the Sale of State-owned Land via Listing (國有土地使用權掛牌成交確認書) issued by Changsha Land Exchange Centre (長沙縣土地交易中心) on 30 April 2007
"Latest Practicable Date"	29 June 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"MLC"	Minmetals Land (Changsha) Limited (formerly known as Ample Future Limited which has changed to its current name with effect from 6 June 2007), a company incorporated under the laws of Hong Kong with limited liability, is a wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PricewaterhouseCoopers"	PricewaterhouseCoopers, Certified Public Accountants
"Property Project"	the property development project to be developed on the Land by JVCo
"RHL"	RHL Appraisal Ltd., independent property valuers
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company convened to be held at Garden Rooms, 2/F., The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 20 July 2007 at 10:00 a.m., to approve the Transaction, the notice of which is set out on pages 113 to 114 of this circular

"Shareholder(s)"	holder(s) of the Shares
"Shares"	the shares of par value of HK$0.10 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the establishment of JVCo by MLC, JS and JSS as contemplated under the Agreements
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	percentage

For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this circular is based on the exchange rate of RMB1.00 to HK$1.03. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

五礦建設有限公司*
MINMETALS LAND LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 230)

Non-executive Director:
Mr. ZHOU Zhongshu, *Chairman*

Executive Directors:
Mr. QIAN Wenchao, *Deputy Chairman*
Mr. WANG Xingdong, *Managing Director*
Mr. YAN Xichuan, *Deputy Managing Director*
Mr. YIN Liang, *Deputy Managing Director*
Ms. HE Xiaoli

Independent Non-executive Directors:
Mr. LAM Chun, Daniel
Mr. Selwyn MAR
Ms. TAM Wai Chu, Maria

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal place of business in Hong Kong:
18th Floor
China Minmetals Tower
79 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

5 July 2007

To the Shareholders

Dear Sir or Madam,

PROPOSED MAJOR AND CONNECTED TRANSACTION

FORMATION OF JOINT VENTURE FOR A PROPERTY DEVELOPMENT PROJECT IN CHANGSHA, HUNAN PROVINCE, THE PRC

1. INTRODUCTION

The Board announced that on 30 May 2007, MLC (a wholly-owned subsidiary of the Company, formerly known as Ample Future Limited), JS and JSS entered into (i) the Capital Expansion Agreement pursuant to which MLC will participate in the capital expansion programme of JH and JH will change its legal status to become JVCo, a Sino-foreign equity joint venture company, to hold the Land and undertake the Property Project; and (ii) the JV Agreement which sets out the major terms and conditions on which JVCo will be managed and operated.

* *For identification purpose only*

JH, which is a PRC joint venture owned as to 90% by JS and as to 10% by JSS, was established in the PRC on 23 April 2007 for the sole purpose of bidding for, owning and developing the Land which was being sold by public tender. Following the award of tender to JH and pursuant to the Confirmation of the Sale of State-owned Land via Listing (國有土地使用權掛牌成交確認書) issued by Changsha Land Exchange Centre (長沙縣土地交易中心) on 30 April 2007, the Land was sold to JH at an aggregate price of RMB628,000,000 (approximately HK$646,840,000).

The Company intends to establish a joint venture to participate in the Property Project. To effect the joint venture, the Capital Expansion Agreement was entered into amongst MLC, JS and JSS pursuant to which MLC will make capital contributions to the registered capital of JH in cash equivalent to RMB193,800,000 (approximately HK$199,614,000) and JS will make additional capital contributions to the registered capital of JH in cash of RMB176,200,000 (approximately HK$181,486,000). As a result, JH will change its legal status to become a Sino-foreign equity joint venture company and will be owned as to 51% by MLC and 49% by JS and JSS collectively. The establishment of JVCo will be subject to approval from relevant regulatory authorities in the PRC.

Since JS is a subsidiary of China Minmetals and JSS is wholly-owned by JS, JS and JSS are fellow subsidiaries of June Glory (the controlling shareholder of the Company and an indirect wholly-owned subsidiary of China Minmetals) and therefore connected persons of the Company. The Transaction constitutes a major and connected transaction for the Company under Rules 14.08 and 14A.13(6) of the Listing Rules. Pursuant to Rules 14.44 and 14A.17 of the Listing Rules, the Transaction is subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules and is also subject to the approval of the Independent Shareholders in the SGM by poll.

The Independent Board Committee comprising Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria, being all of the independent non-executive Directors of the Company, has been formed by the Board to advise the Independent Shareholders in respect of the Transaction. Access Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction.

The purpose of this circular is to (i) provide Shareholders with further information regarding, amongst other matters, the Agreements and JH; (ii) set out the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) set out the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction; and (iv) give the Shareholders the notice convening the SGM and other information as required under the Listing Rules.

Your attention is hereby specifically drawn to a notice dated 5 July 2007 which is set out on pages 113 to 114 of this circular convening the SGM to be held on Friday, 20 July 2007. **June Glory (which controlled, as at the Latest Practicable Date, approximately 53.83% of the issued share capital of the Company) and its associates will abstain from voting at the SGM and any vote of the Independent Shareholders at the SGM will be taken by poll.**

2. INFORMATION ON THE LAND AND JH

The Land comprises two parcels of adjoining land with a total gross site area of approximately 633,000 square metres located at Yuetang Village (月塘村) and Gaotang Village (高塘村), Muyun Town (暮雲鎮), Changsha County (長沙縣), Changsha City (長沙市), Hunan Province (湖南省), the PRC. The Land will be handed over in a ready-to-develop status upon completion of demolition and relocation undertaken by the local government. The relevant land use right for the Land will be issued for a term of 70 years for residential use. The total maximum allowable gross floor area of the Property Project is approximately 1,338,000 square metres. As of 28 May 2007, JH had paid up 40% of the land premium of the Land. A valuation of the Land prepared by RHL, independent property valuers, as of 3 May 2007 is set out in Appendix IV to this circular.

The salient legal opinion from the PRC legal adviser to the Company for the Transaction relating to the Land is summarised as follows:

(i) there is no legal impediment for JH to obtain the Land Use Rights Certificates relating to the Land provided that JH pays the remaining 20% of the land premium of the Land before 30 July 2007 and the balance being 40% of the land premium of the Land in accordance with the requirements stipulated under the Contract for Grant of Land and enters into the relevant State-owned Land Use Rights Grant Contracts;

(ii) there is no legal impediment for JH to obtain the Construction Land Use Planning Permit and Construction Works Planning Permit in relation to the Property Project provided that JH completes the construction design in relation to the Property Project and if such design complies with the applicable regulatory requirements in the PRC;

(iii) there is no legal impediment for JH to obtain the relevant business licence and to develop the Property Project in accordance with the applicable rules and regulations in the PRC provided that JH satisfies all requirements for qualification for real estate development enterprises and obtains an interim qualification certificate for real estate developers within one month after the relevant business licence has been issued to JH; and

(iv) the title of the Land is capable of being sold to JH.

It is anticipated that the construction design of the Property Project will be completed in the fourth quarter of 2007 and the Construction Land Use Planning Permit and the Construction Works Planning Permit in relation to the Property Project will be obtained by the end of 2007. In addition, based on the current assessment by the Company, the Company expects that JH will be able to satisfy all requirements for qualification for real estate development enterprises and to obtain an interim qualification certificate for real estate developers within one month after the relevant business licence has been issued to JH.

An accountants' report on JH for the period from 23 April 2007 (date of establishment) to 30 May 2007 is set out in Appendix I to this circular. Pursuant to the Capital Expansion Agreement, JS and JSS were required to provide the latest financial statements of JH upon signing of such agreement for preliminary due diligence purposes. Since the Capital Expansion Agreement was entered into on 30 May 2007, the financial statements of JH as at 30 May 2007 were provided. In this connection, the accountants' report on JH for the period, as mentioned above, was prepared based on such financial information of JH.

According to the accountants' report on JH as set out in Appendix I to this circular, the total assets of JH as at 30 May 2007 amounted to RMB332,000,000 (approximately HK$341,960,000), comprising cash of RMB80,800,000 (approximately HK$83,224,000) and prepayments of RMB251,200,000 (approximately HK$258,736,000) being the partial payment of the land premium of the Land, was funded by the registered capital of RMB10,000,000 (approximately HK$10,300,000) and loans from its immediate holding company of RMB322,546,000 (approximately HK$332,222,000). Since the establishment of JH on 23 April 2007 and up to the Latest Practicable Date, JH has not commenced any business activities except bidding for the Land. According to the accountants' report on JH, the income statement of JH for the period from 23 April 2007 (date of establishment) to 30 May 2007 comprised administrative expenses and finance costs amounting to RMB1,090,000 (approximately HK$1,123,000).

3. THE CAPITAL EXPANSION AGREEMENT

Date

30 May 2007

Parties

(i) MLC;

(ii) JS; and

(iii) JSS

Subject matter

The participation of MLC in the capital expansion programme of JH pursuant to which MLC and JS have agreed, *inter alia*, to contribute cash to the registered capital of JH. JH will change its legal status to become a Sino-foreign equity joint venture company upon completion of the Capital Expansion Agreement.

Current capital and shareholding structure

As at the Latest Practicable Date, the registered capital of JH was RMB10,000,000 (approximately HK$10,300,000) to which JS and JSS had made capital contributions in portion to their existing equity interests of 90% and 10% respectively.

Proposed increase in registered capital

The registered capital of JH is proposed to increase by RMB370,000,000 (approximately HK$381,100,000) from RMB10,000,000 (approximately HK$10,300,000) to RMB380,000,000 (approximately HK$391,400,000).

Payment of additional capital contributions

The increase in the registered capital of JH will be paid up as follows:–

First tranche payment –	20% of the proposed increase in registered capital should be paid up prior to the submission of the applications for (i) the registration of the transformation of JH into a Sino-foreign equity joint venture company, and (ii) the relevant business licence. Accordingly, MLC will make a cash contribution equivalent to RMB42,840,000 (approximately HK$44,125,000), and JS will make an additional cash contribution of RMB31,160,000 (approximately HK$32,095,000) in this regard.
Remaining payment –	MLC and JS will make additional cash contributions equivalent to RMB150,960,000 (approximately HK$155,489,000), and of RMB145,040,000 (approximately HK$149,391,000) respectively for the balance of the proposed increase in registered capital of JH within two years from the date of issue of JVCo's business licence.

Resulting capital and shareholding structure

Upon completion (as described below) of the Capital Expansion Agreement, JVCo will be owned as to 51% by MLC and as to 49% by JS and JSS collectively.

Following completion of the Capital Expansion Agreement and upon full payment of the increase in the registered capital described above, JVCo will be owned as to 51%, 48.74% and 0.26% by MLC, JS and JSS respectively.

Completion

Completion of the Capital Expansion Agreement is conditional upon the fulfillment of, amongst other things, the following conditions on or before the expected completion date of 30 November 2007:

(i) the Transaction having been approved by the Independent Shareholders at the SGM by poll;

(ii) MLC having been satisfied with the results of its due diligence review on JH;

(iii) the proposed establishment of JVCo having been approved by the relevant PRC authorities;

(iv) the registration of JH as a Sino-foreign equity joint venture company having been completed; and

(v) the business licence in respect of JVCo having been issued.

If any of the abovementioned conditions has not been fulfilled on or before 30 November 2007 or such later date as MLC, JS and JSS may otherwise agree, the Capital Expansion Agreement shall cease and terminate and none of the parties thereto shall be entitled to the rights or will be required to perform their respective outstanding obligations thereunder. Furthermore, none of the parties would be entitled to claim against the others, save for the rights and remedies which have accrued prior to the termination of the Capital Expansion Agreement. The cash contributions made by MLC to the registered capital of JH will be refunded in full without interest.

4. THE JV AGREEMENT

Date

30 May 2007

Parties

(i) MLC;

(ii) JS; and

(iii) JSS

Subject matter

The major terms and conditions of the JV Agreement based on which JVCo will be managed and operated.

Scope of business of JVCo

The JVCo shall be engaged principally in real estate development and property management, property sales and leasing and related services.

Total investment amount and registered capital

The total investment amount of JVCo is proposed to be RMB760,000,000 (approximately HK$782,800,000) and the registered capital of JVCo will be RMB380,000,000 (approximately HK$391,400,000). In addition to the registered capital, the total investment amount of JVCo is intended to be funded by loans from banks and/or shareholders' loans. No decision has yet been made as to the split of loans from banks and shareholders' loans in funding the total investment amount of JVCo in addition to the registered capital.

Registered capital contributions

Please refer to the sub-paragraph entitled "Payment of additional capital contributions" under "THE CAPITAL EXPANSION AGREEMENT" for details of the payment of capital contributions into JVCo.

Contribution to the registered capital of and extension of future shareholders' loans to JVCo will be made by the shareholders in proportion to their respective equity interests in JVCo.

Board composition

The board of directors of JVCo shall comprise seven directors, four of whom (including the chairman) shall be appointed by MLC and three (including the vice-chairman) by JS.

Profit sharing

Shareholders of JVCo shall be entitled to share the profits in proportion to their respective equity interests.

5. INFORMATION ON JS AND JSS

JS is a limited liability company established under the laws of the PRC and is principally engaged in the real estate development business in Changsha City, Hunan Province, the PRC. JS is a wholly-owned subsidiary of Ershisanye, which in turn is owned as to 73.19%, 20% and 6.81% by China Minmetals, State-owned Assets Supervision & Administration Commission of Hunan Provincial People's Government (湖南省人民政府國有資產監督管理委員會) and 二十三冶建設集團有限公司工會 respectively. Ershisanye, a State-owned conglomerate in the PRC principally engaged in construction engineering, mining development and operations, real estate and related industries, has since 2001 been assigned under the administration of Hunan Province and became one of the 20 large-sized enterprises supported by the provincial government. In 2006, Ershisanye became a subsidiary of China Minmetals. JS is the property development arm of Ershisanye and is specialised in the investment and development of property projects in Hunan Province, the PRC. Major property development projects recently undertaken by JS include 奧林匹克體育文化城 (Olympic Sport Cultural City) in Changsha City with an investment over RMB1,500,000,000 (approximately HK$1,545,000,000) and the project at Hongqi Road (紅旗路) in Zhuzhou City (株洲市) with an investment of about RMB1,000,000,000 (approximately HK$1,030,000,000).

JSS is an enterprise established under the laws of the PRC with limited liability and is wholly-owned by JS. Its principal activities are property sales and leasing.

6. FINANCIAL EFFECTS

The Group intends to finance its share of the aggregate capital contributions to JVCo of RMB193,800,000 (approximately HK$199,614,000) and if required, its share of any shareholders' loans to JVCo by internal resources and borrowings from financial institutions. No decision has yet been made as to the split by way of internal resources and external borrowings in funding the capital contributions to JVCo by MLC.

If the capital contribution and if required, its share of any shareholders' loans, to JVCo is to be financed by external borrowings, interest expenses will be incurred by the Group and charged to the income statement of the Group before the land use right relating to the Land is obtained. After the said land use right is obtained, any interest expenses incurred on the Property Project will be capitalised during the course of development of the Property Project. The Directors expect that the interest expenses should not have any material impact on the future earnings of the Group before revenue of the Property Project could be recognised by the Group.

Upon completion of the Capital Expansion Agreement, JVCo will become a 51% indirectly owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

7. REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF JVCO

The Group is principally engaged in the businesses of real estate development and project management, specialised construction, property leasing, manufacturing and trading, and securities investment and trading. As stated in the annual report of the Company for the year ended 31 December 2006, the Group has decided to further develop its real estate development business as its core business, and focus on the second tier cities and municipalities in the central and south-east of the PRC that offer attractive future macro-economic growth and property market potential. In this context, the proposed participation in the Property Project is a furtherance of the Group's core business.

Given the relatively small capital base of the Group, the Directors believe that the participation in the Property Project by the Group through a 51% equity interest in JVCo presents a good opportunity for the Group to become involved in a sizeable project.

The Directors are optimistic about the residential property market in Changsha, Hunan Province, the PRC. Furthermore, they consider JS to have the local knowledge and government relationships, and the expertise and experience in property development in Changsha City and Hunan Province. The Directors believe that such attributes are conducive to the successful implementation of the Property Project. According to 2007年一季度長沙市房地產市場形勢分析報告 published by 長沙市房產信息中心，房地產發展研究中心，the gross floor area of 商品房 (commodity houses) sold in the first quarter of 2007 had increased by approximately 70% on a year-on-year basis with an average selling price per square metre up approximately 15% on the same basis. Given the view that the residential property market in Changsha is expected to remain buoyant and the Property Project can be successfully put on the market for sale, the Directors are of the view that the Property Project will contribute positively to the future revenue and income growth of the Group.

According to the valuation report prepared by RHL, independent property valuers, as set out in Appendix IV to this circular, the Land was valued at RMB650,000,000 (approximately HK$669,500,000), which is higher than the acquisition price of the Land by JH.

Accordingly, the Directors are of the view that the Transaction and the terms of the Agreements are fair and reasonable, have been arrived at on an arm's length basis and are in the interests of the Company and the Shareholders as a whole.

8. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The year 2006 marked a major milestone in the development of the Group, as it was the concluding year of the three-year building phase of its real estate development and specialised construction businesses. Starting in 2007, the Group will enter into a new phase where it is expected that the real estate development business of the Group begin to make positive contributions to cash flow and an improving curtain wall business.

The real estate development project portfolio of the Group consists of two projects in the PRC namely, The Grand Panorama Project (formerly known as Haitian Garden Project), a residential development project in Zhuhai, and the Laguna Bay Project, a residential development project in Jiangning District, Nanjing.

The Grand Panorama Project saw pleasing progress in 2006, with construction works completed to the extent that the units in the project occupying a gross floor area of approximately 89,000 square metres are permitted now to be offered for presale. It has generated substantial cash inflow in 2007. Upon handover in 2008, the Directors expect there will be satisfactory revenue recognised. The Laguna Bay Project, which comprises a gross floor area of approximately 277,700 square metres, will be developed in three development phases. The pre-sale of units of the first phase, which has a gross floor area of approximately 68,300 square metres, is planned to commence in the last quarter of 2007. The Directors expect that the Laguna Bay Project would become one of the important revenue and cash flow contributors to the Group for several years starting in 2008.

The Group's growth strategy revolves around a main focus on the fast-growing PRC real estate development business. Through active acquisition of land bank, it is envisaged that the Group's real estate development business will grow rapidly in the coming years.

The 2007 financial year has started well with satisfactory pre-sale results from The Grand Panorama Project. Furthermore, net proceeds of approximately HK$157,831,000 from the disposal of an investment in January 2007 have further strengthened the working capital position of the Group. Going forward, the Group will closely monitor the impact of the implementation of the land appreciation tax on the property market in the PRC and any further measures that might be implemented by the Central Government to help cool down economic growth, as well as the rising trend of construction costs in the PRC which may reduce margins of the real estate development business. Notwithstanding these short-term developments, the Directors remain confident in the PRC's long-term economic growth and hence the growth potential of its real estate development market, as well as the Group's ability to continue to acquire suitable and good quality real estate development projects in its target markets.

9. LISTING RULES IMPLICATIONS

Since JS is a subsidiary of China Minmetals and JSS is wholly-owned by JS, JS and JSS are fellow subsidiaries of June Glory (the controlling shareholder of the Company and an indirect wholly-owned subsidiary of China Minmetals) and therefore connected persons of the Company. Based on the applicable size tests performed with respect to the total maximum capital commitment of the Group to JVCo amounting to approximately RMB387,600,000 (approximately HK$399,228,000), being 51% of the proposed total investment amount of JVCo of RMB760,000,000 (approximately HK$782,800,000), the relevant ratios under Rule 14.07 of the Listing Rules exceed 25% but are less than 100%. Accordingly, the Transaction constitutes a major and connected transaction for the Company under Rules 14.08 and 14A.13(6) of the Listing Rules. Pursuant to Rules 14.44 and 14A.17 of the Listing Rules, the Transaction is subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules and is also subject to the approval of the Independent Shareholders in the SGM by poll.

10. SGM

A notice of the SGM to be held at Garden Rooms, 2/F., The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 20 July 2007 at 10:00 a.m. is set out on pages 113 to 114 of this circular. At the SGM, an ordinary resolution will be proposed and, if thought fit, passed to approve the Transaction. In view of the connection amongst JS, JSS and June Glory, June Glory and its associates are required to abstain from voting on the resolution approving the Transaction at the SGM in accordance with Rules 14.46 and 14A.18 of the Listing Rules. As at the Latest Practicable Date, June Glory controlled approximately 53.83% of the issued share capital of the Company.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Pursuant to Rules 13.39(4) and 14A.52 of the Listing Rules, the vote of the Independent Shareholders at the SGM will be taken by poll, the announcement on the results of which will be published on the websites of the Company and of the Stock Exchange following the SGM.

11. POLL PROCEDURE

Pursuant to bye-law 78 of the Bye-laws of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:–

(i) by the chairman of the meeting; or

(ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Pursuant to bye-law 78 of the Bye-laws of the Company, the chairman of the SGM will demand a poll before the ordinary resolution for approving the Transaction is put to the vote at the SGM.

12. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee which is set out on pages 17 to 18 of this circular containing the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Transaction; and (ii) the letter from Access Capital which is set out on pages 19 to 29 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders regarding the Transaction.

The Directors are of the view that the terms of the Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution at the SGM in respect of the Transaction.

13. ADDITIONAL INFORMATION

Your attention is also drawn to the accountants' report on JH, financial information of the Group, financial information of the Enlarged Group, valuation report of the Land, and general information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Minmetals Land Limited
Wang Xingdong
Managing Director

五礦建設有限公司*
MINMETALS LAND LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 230)

5 July 2007

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED MAJOR AND CONNECTED TRANSACTION

FORMATION OF JOINT VENTURE FOR A PROPERTY DEVELOPMENT PROJECT IN CHANGSHA, HUNAN PROVINCE, THE PRC

We refer to the circular dated 5 July 2007 of the Company (the "Circular") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider and to advise the Independent Shareholders whether, in our opinion, the Transaction and the terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Shareholders as a whole. Access Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction.

We wish to draw your attention to the letter from the Board set out on pages 5 to 16 of the Circular which contains, *inter alia*, information about the Transaction, and the letter of advice from Access Capital set out on pages 19 to 29 of the Circular which contains its advice in respect of the Transaction.

Having considered the reasons for and benefits of the establishment of JVCo and considering the principal factors and reasons taken into account by Access Capital in arriving at its opinion regarding the Transaction as set out in the letter from Access Capital on pages 19 to 29 of the Circular, we consider that the Transaction and the terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned

* *For identification purpose only*

and are in the interests of the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolution as set out in the notice of the SGM to be held on Friday, 20 July 2007 and thereby approve the Transaction.

Yours faithfully,
For and on behalf of
Independent Board Committee

Lam Chun, Daniel	**Selwyn Mar**	**Tam Wai Chu, Maria**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

Set out below is the text of the letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this Circular.

ACCESS
CAPITAL

Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

5 July 2007

To the Independent Board Committee and
the Independent Shareholders of Minmetals Land Limited

Dear Sirs,

PROPOSED MAJOR AND CONNECTED TRANSACTION

FORMATION OF JOINT VENTURE FOR A PROPERTY DEVELOPMENT PROJECT IN CHANGSHA, HUNAN PROVINCE, THE PRC

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction. Details of the Transaction are set out in the "Letter from the Board" contained in the circular dated 5 July 2007 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular shall have the same meanings in this letter.

In summary, on 30 May 2007, MLC (a wholly-owned subsidiary of the Company, formerly known as Ample Future Limited) entered into the Agreements with JS and JSS relating to the establishment of JVCo to undertake the Property Project. Upon completion of the Capital Expansion Agreement, JVCo will be owned as to 51% by MLC and as to 49% by JS and JSS collectively.

The Company intends to establish a joint venture to participate in the Property Project to be undertaken by JH. JH was established in the PRC for the sole purpose of bidding for, owning and developing the Land which was being sold by public tender. Following the award of tender to JH on 30 April 2007, the Land was sold to JH at an aggregate price of

RMB628.0 million (approximately HK$646.8 million). The Land consists of two parcels of adjoining land with a total gross site area of approximately 633,000 square metres located at Yuetang Village (月塘村) and Gaotang Village (高塘村), Muyun Town (暮雲鎮), Changsha County (長沙縣), Changsha City (長沙市), Hunan Province (湖南省), the PRC.

Since JS is a subsidiary of China Minmetals and JSS is wholly-owned by JS, JS and JSS are fellow subsidiaries of June Glory (the controlling shareholder of the Company who holds approximately 53.83% of the issued share capital of the Company as at the Latest Practicable Date and is an indirect wholly-owned subsidiary of China Minmetals) and therefore connected persons of the Company. According to the Company, based on the applicable size tests performed regarding the total capital commitment of the Group with respect to the formation of JVCo, the relevant percentage ratio under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the transaction contemplated under the Agreements constitute a major and connected transaction for the Company under Rules 14.08 and 14A.13(6) of the Listing Rules respectively and will be subject to the approval of the Independent Shareholders by poll in the SGM. June Glory and its associates will abstain from voting at the SGM.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of (i) the Chairman and non-executive Director, Mr. Zhou Zhongshu; (ii) five executive Directors, namely Mr. Qian Wenchao, Mr. Wang Xingdong, Mr. Yan Xichuan, Mr. Yin Liang and Ms. He Xiaoli; and (iii) three independent non-executive Directors, namely Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria, has been established to advise the Independent Shareholders as to whether the Transaction is entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole and whether the terms of the Transaction are fair and reasonable so far as the Independent Shareholders are concerned.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect and to give our opinion in relation to the Transaction for the Independent Board Committee's consideration when making its recommendation to the Independent Shareholders.

III. BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Transaction, we have taken into consideration the following principal factors and reasons:

1. Principal activities and business strategy of the Group

The Group is principally engaged in the businesses of real estate development and project management, specialised construction, property leasing, manufacturing and trading, and securities investment and trading.

Set out below are financial highlights on the Group for the two years ended 31 December 2006.

	For the year ended 31 December	
	2006	**2005**
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Revenue		
– Real estate development and project management	11,283	14,995
– Specialised construction	206,727	144,075
– Property leasing	14,249	12,078
– Manufacturing and trading	64,931	59,781
– Securities investment and trading	5,895	393
Total	303,085	231,322
Gross profit	63,825	57,310
Operating profit	108,233	25,090
Profit attributable to equity holders of the Company	105,845	28,149

For the year ended 31 December 2006, the Group recorded an audited revenue and profit for the year of approximately HK$303.1 million and HK$105.8 million respectively representing an increase of 31.0% and 276.5% over that of the previous year. However, as the Group's service contract with respect to the provision of project management services was in its final stage, the segment revenue generated from the business of real estate development and project management decreased by 24.7% to approximately HK$11.3 million for the year ended 31 December 2006. According to the management of the Company, due to the write-back of provision for properties under development of approximately HK$36.3 million during the year ended 31 December 2006, segment profit for the real estate development and project management business of the Group increased by 247.6% to approximately HK$43.8 million for the year ended 31 December 2006. If the aforesaid write-back was excluded, the segment profit for the real estate development and project management business for the year ended 31 December 2006 would be approximately HK$7.5 million, representing a decrease of 40.5% as compared with that of the previous year.

During the financial year of 2006, the Group's real estate development project portfolio consisted of two projects in the PRC, namely, The Grand Panorama Project in Zhuhai, Guangdong and the Laguna Bay Project in Jiangning District, Nanjing. Both projects are residential development projects. According to the management of the Company, pre-sale of the residential units of The Grand Panorama Project has commenced since January 2007 and is expected to be substantially completed in 2007 with the handover of the units to the buyers scheduled in July 2008. The management of the Company advised that the proceeds from the pre-sale units has generated satisfactory cashflow to the Group and the relevant income is expected to be recognised upon handover of the sold units in 2008. On the other hand, the pre-sale of units in the Laguna Bay Project is expected to commence in the last quarter of 2007. The management of the Company expected that this project would become one of the important revenue stream and cash flow to the Group for several years starting from 2008.

As mentioned above, the Group's existing real estate projects are either in pre-sale or planning stage. Both the revenue and profit contributions of this business segment only accounted for 3.7% and 6.7% (excluding the write-back of provision for properties under development) of the Group's total revenue and total segment profit respectively for the year ended 31 December 2006. According to the Company's 2006 annual report, the Group has been developing its real estate development business as its core business by leveraging the strengths of China Minmetals, its controlling shareholder, which has strong financial base and extensive business connections especially in the PRC and Hong Kong. Given the sustainable real estate development business in the PRC, in particular, in the second tier cities and municipalities in the central and south-east of the PRC, where the Directors are confident of future macro-economic growth and property market potential, the Group intends to continue to expand the real estate development business through acquisition of land bank and good quality real estate development projects in such markets.

We have noted the recent macro-economic measures adopted by the PRC government in order to cool down the PRC property market. We consider that these measures will not have any material impact on the Group's real estate projects as (i) the pre-sale of the units of The Grand Panorama Project in Zhuhai is at its final stage with less than 2% of the total number of units remained unsold; and (ii) according to the management, about 75% of the total gross floor area of the Laguna Bay Project in Nanjing is planned to be sold in 2008 and 2009. We regard the recent measures adopted by the PRC government are only of interim nature and will allow a long term healthy development in the PRC's macro-economy and hence the PRC property market. This will be in fact beneficial to the Group's property development business in the long run.

2. Reasons for and benefits of the Transaction

As mentioned in the paragraph headed "Principal activities and business strategy of the Group" in this letter, the Group has been developing the real estate development business as its core business.

To set up the joint venture, the Agreements were entered into amongst MLC, JS and JSS. Details of the Agreements were set out in the "Letter from the Board" of this Circular. Given the size of investment in the Property Project, the management of the Company believes that the participation in the Property Project by the Group through a 51% equity interest in JVCo will reduce the capital outlay otherwise required to be deployed by the Group and provides a good opportunity for the Group to participate in a sizable project. The Capital Expansion Agreement sets out the capital expansion programme of JH and the JV Agreement sets out the major terms and conditions on which JVCo will be managed and operated.

As stated in the paragraph headed "Information on JS and JSS" in the "Letter from the Board" of this Circular, JS is the property arm of Ershisanye and is specialised in the investment and development of property projects in Hunan Province, the PRC. Major property development projects recently undertaken by JS include 奧林匹克體育文化城 (Olympic Sport Cultural City) in Changsha City with an investment over RMB1.5 billion (approximately HK$1.5 billion) and the project at Hongqi Road (紅旗路) in Zhuzhou City (株洲市) with an investment of about RMB1.0 billion (approximately HK$1.0 billion). Ershisanye is owned as to 73.19% by China Minmetals which is also the controlling shareholder of the Company. China Minmetals is a major conglomerate in the PRC, engaging in the production and trading of metals, mineral and electrical products and finance, real estate, shipping, bidding and tendering, engineering projects and investment. It was listed among the 44 "key enterprises" managed by the Central Government in the PRC in 1999.

Taking into account the abovementioned objective to increase PRC development land reserves, the amount of initial capital representing the first tranche payment of 20% of the proposed increase in registered capital required to be deployed by the Company to participate in the Property Project vis-a-vis JVCo and the opportunity to co-develop the Property Project with the experienced and reputable China Minmetals group, we consider that it is in the interests of the Company and the Shareholders to execute the Transaction. In addition, we are of the view that it is in the normal course of business of the Group to participate in the Property Project, and reasonable and justifiable for the Company to establish a joint venture to participate in the Property Project with the objective to increase its PRC development land reserves.

Changsha is the capital city of Hunan province. It is located in east central Hunan and the lower reaches of Xiangjiang River, a branch of the Yangtze River. According to the Changsha Statistical Yearbook 2006, as of 31 December 2006, Changsha had a population of approximately 6.5 million, representing an increase of 1.1% over 2005. In 2006, Changsha's GDP reached approximately RMB179.1 billion, representing a per capita GDP of approximately RMB27,853. Total investment in real estate in Changsha reached approximately RMB30.4 billion in 2006, representing an increase of 18.5% over 2005. According to 《2006年長沙市房地產市場形勢分析報告》 published by 長沙市房產信息中心, a total gross floor area of approximately 6.9 million square metres of commodity properties was sold in Changsha in 2006, representing an increase of 8.0% over 2005. Residential properties with total gross floor area of approximately 6.3 million square metres were sold in Changsha in 2006, representing an increase of 11.0% over 2005. Such residential properties were sold at an average price of approximately RMB2,691 per square metre in 2006, representing an increase of 6.0% over 2005. According to 《長沙市"十一五"住房建設規劃》－住宅發展規劃綱要 published by 衡陽市城市規劃局, it is estimated that for the period of 2006 to 2010, land supply for residential properties will be approximately 13.3 million square metres and total gross floor area of residential units available for sale in Changsha City will be maintained at approximately 24.0 million square metres.

The Land is represented by two parcels of adjoining land with a total gross site area of approximately 633,000 square metres located at Yuetang Village and Gaotang Village, Muyun Town, Changsha County, Changsha City, Hunan Province, the PRC. The total maximum allowable gross floor area of the Property Project is approximately 1.3 million square metres. As informed by RHL, the Land is about 15 kilometres from the centre of Changsha City. The vicinity of the Land comprises of developing residential sites. According to the Directors, a majority of the Land area will be developed into middle to high end residential properties and the remaining area, about 5% of the total Land area will be developed into commercial/industrial units. The total gross floor area of the Property Project after construction is expected to be about 1 million square metres and to be completed by 2011.

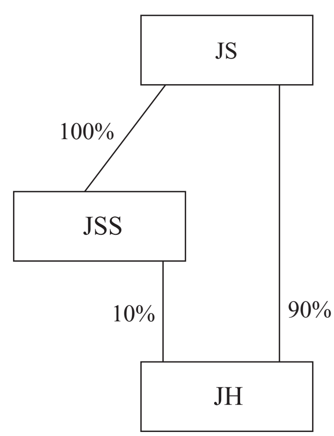
In light of the positive outlook of the property market in Changsha as mentioned above, the expected potential to be generated from the Property Project and JS's local knowledge and government relationships, expertise and experience in property development in Changsha City and Hunan Province together with the support from China Minmetals which is the ultimate holding company of the Company, JS and JSS, we concur with the management of the Company that the Property Project is expected to contribute positively to the future revenue and income growth of the Group.

3. Principal terms of the Agreements

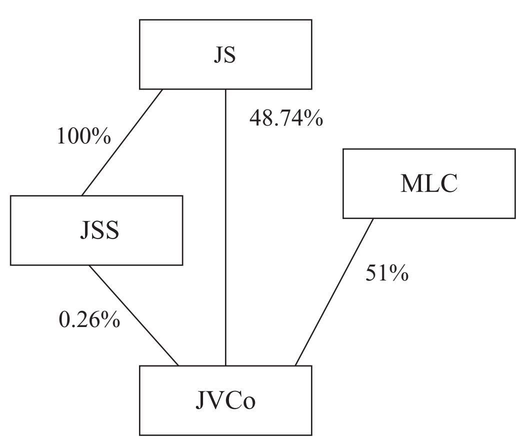
a. The Capital Expansion Agreement

As at the Latest Practicable Date, the registered capital of JVCo was RMB10.0 million (approximately HK$10.3 million). As a result of the Capital Expansion Agreement, the registered capital of JVCo will be increased by RMB370.0 million (approximately HK$381.1 million) to RMB380.0 million (approximately HK$391.4 million), pursuant to which, MLC will make capital contributions to the registered capital of JVCo in cash equivalent to RMB193.8 million (approximately HK$199.6 million) and JS will make additional capital contributions to the registered capital of JVCo in cash of RMB176.2 million (approximately HK$181.5 million). Upon completion of the Capital Expansion Agreement, JH will change its legal status to become a Sino-foreign equity joint venture company and will be owned as to 51% by MLC and 49% by JS and JSS collectively.

Set out below is the shareholding structure of JH immediately prior to the Transaction:



Set out below is the shareholding structure of JVCo after completion of the Capital Expansion Agreement and full payment of the increase in the registered capital of JH:



The increase in the registered capital of JH will be paid up in two tranches, of which (i) 20% of the proposed increase in registered capital should be paid up prior to the submission of the applications for the registration of the transformation of JH into a Sino-foreign equity joint venture company, and the relevant business licence; and (ii) the balance of the proposed increase in registered capital of JH should be paid up within two years from the date of issue of JVCo's business licence. The Group intends to finance its investment in JVCo by internal resources and borrowings from financial institutions. The Directors are satisfied that as at the Latest Practicable Date, the Group's cash balances and available banking facilities are sufficient to complete the Transaction.

According to the Directors, JH was established for the sole purpose of owning and developing the Land which was acquired at an aggregate price of RMB628.0 million (approximately HK$646.8 million). According to the accountants' report on JH as set out in Appendix I to this Circular, total assets of JH as at 30 May 2007 was approximately RMB332.0 million (approximately HK$342.0 million) comprising cash of RMB80.8 million (approximately HK$83.2 million) and prepayments of RMB251.2 million (approximately HK$258.7 million) being partial payment of the land premium of the Land. Total liabilities of JH as at 30 May 2007 was approximately RMB323.1 million (approximately HK$332.8 million) comprising mainly loans from its immediate holding company of approximately RMB322.5 million (approximately HK$332.2 million). Information on the Land and JH are set out in the "Letter from the Board" of this Circular and the paragraph headed "Reasons for and benefits of the Transaction" in this letter.

Based on the valuation report prepared by RHL (the "Valuation Report") as set out in Appendix IV to the Circular, the Land has a market value of RMB650.0 million (approximately HK$669.5 million) as at 3 May 2007. We noted from the Valuation Report that a direct comparison method was adopted where comparison based on prices realised on actual sales of comparable land is made. Comparable land of similar size, character and location are analysed in order to arrive at a fair comparison of market values. We have also discussed with RHL and concurred that the methodology applied by RHL is consistent with market practice and the underlying basis for valuation of the Land is fair and reasonable.

Shareholders should note that if any of the conditions to the Capital Expansion Agreement (details are set out in the "Letter from the Board" of this Circular) has not been fulfilled on or before 30 November 2007 or such later date as MLC, JS and JSS may otherwise agree, the Capital Expansion Agreement shall cease and terminate and none of the parties thereto shall be entitled to the rights or will be required to perform their respective outstanding obligations thereunder. Furthermore, none of the parties would be entitled to claim against the others, save for the rights and remedies which have accrued prior to the termination of the Capital Expansion Agreement. The cash contributions made by MLC to the registered capital of JH will be refunded in full without interest.

Given the facts that (i) the Transaction which allows the Group's participation in the Property Project is a furtherance of the Group's core business and part of the Group's adopted business strategies; (ii) the acquisition price of the Land was the result of a public tender; (iii) the Land has a market value of RMB650.0 million (approximately HK$669.5 million) as at 3 May 2007 (prepared and verified by RHL), representing slightly higher than the acquisition price; (iv) the initial amount of cash, representing the first tranche payment of the 20% of the proposed increase in registered capital, to be incurred by the Group to secure the participation in the Property Project is affordable by the Group with regard to its current financial position; and (v) the terms of the Capital Expansion Agreement were negotiated on arm's length basis, we are of the view that the terms of the Capital Expansion Agreement are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

b. The JV Agreement

Pursuant to which, it set out the major terms and conditions on which JVCo will be managed and operated, namely (i) the scope of business of JVCo; (ii) the total investment amount and registered capital; (iii) the method and timing with regard to registered capital contributions; and (iv) the composition of the board of directors and the profit sharing arrangements.

Given that (i) the terms of the JV Agreement are normally put in place for any joint venture companies; (ii) the board composition, profit sharing and contribution to the registered capital are in proportion to the shareholders' respective equity interest in JVCo; and (iii) the terms of the JV Agreement were negotiated on arm's length basis, we consider that the terms of the JV Agreement are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Possible financial effects of the Transaction

a. Result on consolidation

Upon completion of the Capital Expansion Agreement, JVCo will become a 51% indirectly owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

b. Total assets, total liabilities and total equity

As at 31 December 2006, the audited total assets of the Group was approximately HK$1,275.2 million. Upon completion of the Transaction, the total assets of the Enlarged Group will be increased to approximately HK$1,799.2 million according to the "Financial Information of the Enlarged Group" as set out in Appendix III to this Circular. This is attributed by the consolidation of the prepayments made by JH being partial payment of the land premium of the Land and the cash balances held by JH. The increase in total assets of the Enlarged Group also reflects the additional registered capital of JVCo to be paid up by JS and MLC. As at 31 December 2006, the audited total liabilities of the Group was approximately HK$457.3 million whereas the total liabilities of Enlarged Group will be approximately HK$790.1 million. The increase in total liabilities is mainly attributed by the consolidation of the loans from JS in financing the partial payment of the land premium of the Land. As a result of the Group's establishment of JVCo to participate in the Property Project, the total equity of the Group will be increased. The total equity of the Enlarged Group will be approximately HK$1,009.1 million as compared to that of the Group as at 31 December 2006 of approximately HK$817.8 million.

c. Liquidity and gearing

The Group intends to finance its share of the aggregate capital contributions to JVCo of RMB193.8 million (approximately HK$199.6 million) by internal resources and borrowings from financial institutions. However, no decision has yet been made as to the split by way of internal resources and external borrowings in funding the capital contributions to JVCo by MLC. If the Group chooses to preserve its cash position for its other business segments and external borrowings are required, assuming the total equity of the Group remains unchanged, the gearing of the Group will be increased while the cash position of the Group will not be adversely affected by the Transaction.

d. Earnings

The overall effects of the Transaction on the future earnings of the Group will depend on, amongst other matters, the return to be generated from the gross sales proceeds resulted from the selling of the Property Project. If the capital contribution and if required, its share of any shareholders' loans, to JVCo is to be financed by external borrowings, interest expenses will be incurred by the Group. Interest expenses incurred on the Land before the land use right relating to the Land is obtained will be charged to the income statement. On the other hand, any interest expenses incurred on the Property Project will be capitalised during the course of development of the Property Project. The Directors expect that the interest expenses should not have any material impact on the future earnings of the Group before revenue of the Property Project could be recognised by the Group.

V. RECOMMENDATION

Having considered the above principal factors and reasons including (i) the entering into the Transaction is a furtherance of the Group's core business and part of its adopted business strategies; (ii) the terms of Agreements; and (iii) the possible financial effects of the Transaction, we are of the opinion that the Transaction is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole and the terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned. Therefore, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour for the ordinary resolution to approve the Transaction at the SGM.

Yours faithfully,
For and on behalf of
Access Capital Limited
Jeanny Leung
Managing Director

ACCOUNTANTS' REPORT ON JH FOR THE PERIOD FROM THE DATE OF ESTABLISHMENT OF 23 APRIL 2007 TO 30 MAY 2007

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

5 July 2007

The Directors
Minmetals Land Limited

Dear Sirs,

We set out below our report on the financial information relating to 湖南嘉和日盛房地產開發有限公司 ("JH") for the period from 23 April 2007 (date of establishment) to 30 May 2007 (the "Relevant Period") for inclusion in the circular of Minmetals Land Limited (the "Company") dated 5 July 2007 (the "Circular") in connection with the proposed formation of joint venture for a property development project in Changsha, Hunan Province, the People's Republic of China (the "PRC").

JH was a joint venture company established in the PRC under the laws of the PRC on 23 April 2007.

No audited financial statements have been prepared for JH since the date of its establishment as it was newly established and JH has not been involved in any significant business transactions since its establishment, other than bidding for two parcels of adjoining land in Changsha, Hunan Province, the PRC.

Respective responsibilities of directors and reporting accountants

The financial information as set out in Sections A and B below (the "Financial Information") has been prepared based on the unaudited financial statements of JH.

The directors of JH, during the Relevant Period, are responsible for preparing the financial statements of JH which give a true and fair view. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are responsible for the Financial Information which gives a true and fair view.

It is our responsibility to express an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

Basis of opinion

We examined the unaudited financial statements of JH for the Relevant Period, and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of JH as at 30 May 2007 and of its results and cash flows for the Relevant Period.

A. FINANCIAL INFORMATION

Income Statement

	Note	For the period from 23 April 2007 (date of establishment) to 30 May 2007 *RMB'000*
Revenue		–
Administrative expenses		544
Operating loss	*5*	544
Finance costs	*6*	546
Loss for the period		1,090
Attributable to:		
Equity holders of JH		1,090

Balance Sheet

	Note	**As at 30 May 2007** *RMB'000*
ASSETS		
Current assets		
Prepayments	*7*	251,200
Cash and cash equivalents	*8*	80,800
Total assets		332,000
EQUITY		
Capital and reserves attributable to equity holders of JH		
Paid-in capital	*9*	10,000
Accumulated loss		(1,090)
Total equity		8,910
LIABILITIES		
Current liabilities		
Other payables	*10*	512
Amount due to immediate holding company	*11(a)*	32
Loans from immediate holding company	*11(b)*	322,546
Total liabilities		323,090
Total equity and liabilities		332,000
Net current assets		8,910
Total assets less current liabilities		8,910

Statement of Changes in Equity

	For the period from 23 April 2007 (date of establishment) to 30 May 2007		
	Paid-in capital	**Accumulated loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Issue of capital	10,000	–	10,000
Loss for the period	–	(1,090)	(1,090)
As at 30 May 2007	10,000	(1,090)	8,910

Cash Flow Statement

	Note	**For the period from 23 April 2007 (date of establishment) to 30 May 2007** *RMB'000*
Operating activities		
Loss for the period		(1,090)
Interest expense		546
Operating loss before working capital changes		(544)
Increase in prepayments		(251,200)
Increase in other payables		512
Increase in amount due to immediate holding company		32
Net cash used in operating activities		(251,200)
Financing activities		
New borrowings		322,000
Proceeds from issue of capital		10,000
Net cash generated from financing activities		332,000
Increase in cash and cash equivalents		80,800
Cash and cash equivalents as at 23 April		–
Cash and cash equivalents as at 30 May	*8*	80,800

B. NOTES TO THE FINANCIAL INFORMATION

1. ORGANISATION AND OPERATIONS

湖南嘉和日盛房地產開發有限公司 ("JH") was a joint venture company established in the People's Republic of China (the "PRC") on 23 April 2007 with a registered capital of RMB10,000,000. Upon establishment, 湖南嘉盛房地產開發有限責任公司 ("JS") and a PRC party (the "PRC Party") subscribed for 49% and 51% of the issued capital of JH respectively. Pursuant to an agreement dated 18 May 2007 between the PRC Party, JS and 湖南嘉盛營銷策劃有限公司 ("JSS", a subsidiary of JS), the interest of the PRC Party in JH was transferred to JS and JSS respectively. Consequently, JH has been owned as to 90% by JS and 10% by JSS.

The principal activity of JH is property development in the PRC.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The Financial Information of JH has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The Financial Information has been prepared under the historical cost convention.

(b) Functional and presentation currency

The Financial Information is presented in Renminbi, which is JH's functional and presentation currency.

(c) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(d) Borrowing costs

Borrowing cost incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(e) Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents up-front prepayments paid for the rights to use the land. Amortisation of land use rights is expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. Downpayments made before the transfer of land use rights, which are non-refundable, are regarded as prepayments.

(f) Cash and cash equivalents

Cash and cash equivalents represent deposits held at call with banks.

(g) Paid-in capital

Paid-in capital are classified as equity.

(h) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless JH has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(i) Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(j) Provisions and contingent liabilities

Provisions are recognised when JH has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligations that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of JH. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

3. FINANCIAL RISK FACTOR AND MANAGEMENT

JH's activities expose it to interest rate risk, credit risk and liquidity risk.

(a) Interest rate risk

JH's interest rate risk arises from loans from immediate holding company at fixed rates which expose JH to fair value interest rate risk. JH has not hedged against such risk, as the loans from immediate holding company are temporary in nature.

(b) Credit risk

Credit risk arises mainly from cash and cash equivalents deposited with banks. JH limits its exposure to credit risk by placing deposits only with reputable banks in the PRC.

(c) Liquidity risk

Management considers the liquidity risk of JH to be low, as it is contemplated that substantially all of JH's financial liabilities, comprising mainly the loans from immediate holding company, will be settled upon the injection of capital by shareholders.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. Although these estimates are based on management's best knowledge of events and actions, actual results ultimately may differ from those estimates.

(a) Fair value estimation

The carrying values of prepayments, other payables and amount due to and loans from immediate holding company approximate their fair values due to short-term in nature and discounting effect is considered minimal.

5. OPERATING LOSS

Operating loss is stated after charging the following:

	For the period from 23 April 2007 (date of establishment) to 30 May 2007
	RMB'000
Professional fee	510
Operating lease charges	
– minimum lease payment in respect of land and building	2

6. FINANCE COSTS

	For the period from 23 April 2007 (date of establishment) to 30 May 2007
	RMB'000
Loans from immediate holding company	
Wholly repayable within five years	546

7. PREPAYMENTS

The amount represents the partial payment for acquiring two parcels of adjoining land in Changsha, Hunan Province, the PRC (Note 13(a)).

8. CASH AND CASH EQUIVALENTS

	As at 30 May 2007
	RMB'000
Bank deposits	80,800

The effective interest rate on the bank deposits was 0.72% per annum.

9. PAID-IN CAPITAL

	As at 30 May 2007 *RMB'000*
Registered and paid-in capital	10,000

Pursuant to a capital expansion agreement and a joint venture agreement entered into on 30 May 2007, subject to (i) approval of the shareholders of the Company; (ii) satisfactory results on due diligence review on JH; and (iii) approval of the relevant PRC authorities, Minmetals Land (Changsha) Limited ("MLC") has committed to make a contribution to the registered capital of JH in cash equivalent to RMB42,840,000 and JS will make additional contribution to the registered capital of JH in cash of RMB31,160,000. Upon the completion of the registration of JH as a Sino-foreign equity joint venture company ("JVCo") and the issue of a business licence to JVCo, JVCo will be owned as to 51% by MLC and 49% by JS and JSS collectively. According to the above agreements, MLC and JS have committed to make additional cash contributions equivalent to RMB150,960,000 and RMB145,040,000 respectively for the remaining balance of the proposed increase in registered capital of JH within two years from the date of issue of JVCo's business licence.

10. OTHER PAYABLES

	As at 30 May 2007 *RMB'000*
Accruals and other payables	512

11. AMOUNT DUE TO AND LOANS FROM IMMEDIATE HOLDING COMPANY

(a) The amount due to immediate holding company is unsecured, non-interest bearing and repayable on demand.

(b) As at 30 May 2007, loans from immediate holding company are unsecured, bearing interest at the rate of 6.075% per annum and repayable within one year.

12. CONTINGENT LIABILITIES

As at 30 May 2007, JH did not have any material contingent liabilities.

13. COMMITMENTS

(a) Commitments outstanding as at 30 May 2007 were as follows:

	As at 30 May 2007
	RMB'000
Acquisition of land use rights	376,800

Pursuant to the Confirmation of the Sale of State-owned Land via Listing (國有土地使用權掛牌成交確認書) issued by Changsha Land Exchange Centre (長沙縣土地交易中心) on 30 April 2007, JH obtained two parcels of adjoining land in Changsha, Hunan Province, the PRC at an aggregate price of RMB628,000,000.

The commitment will be settled according to the payment schedules in the 供地合同 (Contract for Grant of Land) which has not been concluded as at 30 May 2007.

(b) As at 30 May 2007, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 May 2007
	RMB'000
Not later than one year	16

14. RELATED PARTY TRANSACTIONS

The directors consider the immediate holding company to be JS, a company established in the PRC; and the ultimate holding company to be China Minmetals Corporation ("China Minmetals"), a company established in the PRC.

JH had the following material transactions and balances with related parties, which were carried out in the ordinary and normal course of business of JH:

(a) Transactions with related parties

	For the period from 23 April 2007 (date of establishment) to 30 May 2007
	RMB'000
Rental expense to immediate holding company	2
Loan interest expense to immediate holding company	546
Payment to local government in the PRC for partial settlement of land cost *(note)*	251,200

(b) Balances with related parties

	As at 30 May 2007
	RMB'000
Amount due to immediate holding company	32
Loans from immediate holding company	322,546

note:

As China Minmetals is a state-owned enterprise, the government of the PRC (the "PRC Government") is considered as JH's ultimate controlling party. Other state-controlled enterprises and their subsidiaries, in addition to China Minmetals, directly or indirectly controlled by the PRC Government are also considered as related parties of JH. To balance the cost and benefit in making disclosure, JH has only disclosed material transactions with such state-controlled enterprises.

15. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by JH in respect of any period subsequent to 30 May 2007 and up to the date of this report. In addition, no dividend or distribution has been declared, made or paid by JH in respect of any period subsequent to 30 May 2007 and up to the date of this report.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

A. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2004, 2005 and 2006, as extracted from the relevant annual reports of the Company which are not subject to any qualified opinion.

From 1 January 2005, all Hong Kong Statements of Standard Accounting Practice and interpretations have been withdrawn and replaced by a number of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new/revised HKFRSs"). The Group adopted new/revised HKFRSs for the years ended 31 December 2005 and 2006 and the 2004 comparatives have been restated as required. These restated figures have been adopted for the purpose of this summary.

Results

	Year ended 31 December		
	2004	**2005**	**2006**
	HK$'000 *(restated)*	*HK$'000*	*HK$'000*
Revenue	86,605	231,322	303,085
Operating profit	87,576	25,090	108,233
Finance costs	(1,385)	(583)	(948)
Profit before tax	86,191	24,507	107,285
Income tax	(1,082)	3,642	(1,440)
Profit for the year	85,109	28,149	105,845
Attributable to:			
Equity holders of the Company	85,109	28,149	105,845

Financial Position

	As at 31 December		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(restated)		
Non-current assets	286,360	309,788	339,404
Current assets	449,093	528,647	935,762
Total assets	735,453	838,435	1,275,166
Capital and reserves attributable to equity holders of the Company	561,060	600,034	817,829
Total equity	561,060	600,034	817,829
Non-current liabilities	7,039	7,325	105,866
Current liabilities	167,354	231,076	351,471
Total liabilities	174,393	238,401	457,337
Total equity and liabilities	735,453	838,435	1,275,166

B. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2006

Set out below are the audited consolidated financial statements and notes to the consolidated financial statements of the Group for the year ended 31 December 2006, which are reproduced from pages 33 to 90 of the annual report of the Company for the year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Revenue	5	303,085	231,322
Cost of sales		(239,260)	(174,012)
Gross profit		63,825	57,310
Other income	6	2,867	10,317
Selling and distribution costs		(14,032)	(11,752)
Administrative expenses		(30,166)	(43,761)
Other operating expenses		(3,207)	(2,220)
Revaluation gain on investment properties	15	52,670	15,196
Write-back of provision for properties under development	19(a)	36,276	–
Operating profit	7	108,233	25,090
Finance costs	9	(948)	(583)
Profit before tax		107,285	24,507
Income tax	10	(1,440)	3,642
Profit for the year		105,845	28,149
Attributable to:			
Equity holders of the Company	11	105,845	28,149
Earnings per share for profit attributable to equity holders of the Company during the year *(expressed in HK cents per share)*			
– basic and diluted	12	13.71	3.65
Dividends	13	–	–

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	17,545	15,346
Investment properties	15	290,769	239,899
Goodwill	16	20,095	19,383
Available-for-sale financial assets	18	–	29,340
Deferred tax assets	27	932	932
Retention receivables	21	9,866	4,539
Other assets		197	349
		339,404	309,788
Current assets			
Inventories	19	488,607	214,796
Trade and other receivables	20	157,363	161,982
Gross amounts due from customers for contract work	21	617	744
Available-for-sale financial assets	18	136,080	–
Financial assets at fair value through profit or loss		–	2,778
Pledged deposits	22	36,994	5,000
Cash and bank deposits	23	116,101	143,347
		935,762	528,647
Total assets		1,275,166	838,435

	Note	2006 HK$'000	2005 HK$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	77,218	77,218
Reserves	25	740,611	522,816
Total equity		817,829	600,034
LIABILITIES			
Non-current liabilities			
Borrowings	26	99,640	–
Deferred tax liabilities	27	–	105
Other liabilities		6,226	7,220
		105,866	7,325
Current liabilities			
Trade and other payables	28	168,323	157,600
Current tax payable		11,326	10,382
Borrowings	26	171,822	63,094
		351,471	231,076
Total liabilities		457,337	238,401
Total equity and liabilities		1,275,166	838,435
Net current assets		584,291	297,571
Total assets less current liabilities		923,695	607,359

BALANCE SHEET
As at 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	17(a)	12,701	–
Current assets			
Loans to subsidiaries	17(b)	1,718	3,623
Amounts due from subsidiaries	17(c)	745,921	543,959
Other receivables	20	325	1,002
Pledged deposits	22	5,000	5,000
Cash and bank deposits	23	2,605	49,976
		755,569	603,560
Total assets		768,270	603,560
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	77,218	77,218
Reserves	25	681,368	505,027
Total equity		758,586	582,245
LIABILITIES			
Current liabilities			
Other payables	28	9,684	21,315
Total liabilities		9,684	21,315
Total equity and liabilities		768,270	603,560
Net current assets		745,885	582,245
Total assets less current liabilities		758,586	582,245

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2006

	2006	2005
	HK$'000	*HK$'000*
Balance at 1 January	600,034	568,527
Revaluation surplus of available-for-sale financial assets	106,740	900
Currency translation adjustments	5,210	2,458
Net income directly recognised in equity	111,950	3,358
Profit for the year, attributable to equity holders of the Company	105,845	28,149
Total recognised income for the year	217,795	31,507
Balance at 31 December	817,829	600,034

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Operating activities			
Cash (used in)/generated from operations	30	(227,838)	1,182
Interest paid		(10,406)	(6,837)
Income tax paid		(601)	(823)
Net cash used in operating activities		(238,845)	(6,478)
Investing activities			
Purchase of property, plant and equipment		(4,578)	(3,993)
Proceeds from sales of financial assets at fair value through profit or loss		5,895	–
Proceeds from disposal of property, plant and equipment		352	7,426
Proceeds from disposal of leasehold land and land use rights		–	2,839
Dividends received		–	393
Interest received		1,562	2,358
Net cash generated from investing activities		3,231	9,023
Financing activities			
New borrowings		267,946	61,991
Repayment of borrowings		(61,991)	(41,973)
Net cash generated from financing activities		205,955	20,018
(Decrease)/increase in cash and cash equivalents		(29,659)	22,563
Cash and cash equivalents at 1 January		142,244	119,681
Cash and cash equivalents at 31 December	23	112,585	142,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. ORGANISATION AND OPERATIONS

ONFEM Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in real estate development and project management, property leasing, specialised construction, manufacturing and trading, and securities investment and trading businesses. The Group's businesses participate in two principal economic environments. Hong Kong and Macau, and the People's Republic of China (other than Hong Kong and Macau) (the "PRC") are the major markets for all the Group's businesses, with a small portion of its income derived from other countries.

The Company is a limited liability company incorporated in Bermuda and acts as an investment holding company. The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors of the Company on 12 April 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) Amendments to published standards and new interpretation effective in 2006

In 2006, the Group adopted the following amendments to standards and new interpretation, which are relevant to its operations:–

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the amendments to HKASs 19, 21, 39 and HKFRS 4, and the new HK(IFRIC)-Int 4 had no material impact on the consolidated financial statements.

(ii) New standards, amendment to existing standard and new interpretations, which are relevant to the Group's operations but are not yet effective and have not been early adopted by the Group

HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The Group will apply the above standards, amendment and interpretations from the accounting periods for which they are effective, but this is not expected to have material impact on the consolidated financial statements.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical result, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of completed properties

Sales of completed properties is recognised when title of the properties has passed to the purchaser.

(ii) Contract revenue

The accounting policy for contract revenue recognition is set out in Note 2(o).

(iii) Operating lease rental income

Operating lease rental income is recognised on a straight-line basis over the lease period.

(iv) Sales of goods

Sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(v) Sales of securities investments

The accounting policy for sales of securities investments is set out in Note 2(l).

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(h) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives with annual rates as follows:

Leasehold land and buildings	2% – 5%
Leasehold improvements	Over the remaining period of the lease
Plant and machinery	5% – 25%
Furniture, fixtures and equipment	15% – 25%
Motor vehicles	20% – 30%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

(j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(k) Impairment

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss which are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement within other income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue when the Group's right to receive payment is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains or losses from securities investment. Dividends on available-for-sale equity instruments are recognised in the income statement as part of revenue when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(m) Inventories

(i) Manufacturing and trading

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(ii) Properties under development

Properties under development represent interests in land and buildings under construction.

The cost of acquiring land held under operating leases is amortised on a straight-line basis over the lease term. If the property is in the course of development or re-development, the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised as an expense immediately.

Properties under development are carried at the lower of cost and net realisable value. Cost comprises original land acquisition costs, costs of land use rights, construction expenditures incurred, other direct development costs attributable to such properties, including borrowing costs capitalised, and an appropriate proportion of overheads. Net realisable value is the anticipated sales proceeds estimated by the directors based on prevailing market prices, on an individual property basis, less estimated costs to completion and costs to be incurred in selling the property.

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the provision is recognised in the income statement within administrative expenses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

(o) Construction contracts

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within trade and other receivables and non-current retention receivables for those falling due more than 12 months after the balance sheet date.

The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(q) Share capital

Ordinary shares are classified as equity.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(s) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leaves are recognised when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leaves and maternity or paternity leaves are not recognised until the time of leave.

(ii) Pension obligations

Group companies participate in various defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

3. FINANCIAL RISK FACTORS AND MANAGEMENT

The Group is exposed to foreign exchange, credit, liquidity and interest rate risks arising in its normal course of business. These risks are managed by the Group's financial management policies and practices as described below to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group invests substantially in the PRC and is exposed to foreign exchange risk with respect to Renminbi ("RMB"). Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. The expected appreciation of RMB will benefit the Group as a whole.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and it has no significant concentration of credit risk. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. Management aims to maintain flexibility in funding by keeping credit lines available.

(d) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from borrowings which bear variable rates and expose the Group to cash flow interest rate risk. The Group maintains a close relationship and communicates regularly with its finance providers to explore financing alternatives to monitor and mitigate interest rate risk.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing uncertainty to the carrying amounts of assets and liabilities are discussed below:

(a) Investment properties

Vigers Appraisal & Consulting Limited was engaged to carry out an independent valuation of the Group's investment property portfolio as at 31 December 2006. This valuation was carried out in accordance with the HKIS Valuation Standards on Properties of the Hong Kong Institute of Surveyors which defines market value as "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 each acted knowledgeably, prudently and without compulsion".

(b) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates *(Note 16)*.

(c) Fair value estimation of financial assets and liabilities

The fair value of financial instruments traded in active markets (such as available-for-sale financial assets) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(d) Construction contracts in progress

As explained in the accounting policy stated in Note 2(o), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and nature of the construction activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in Note 21 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised.

(e) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. SEGMENT INFORMATION

(a) Primary reporting format – business segments

In accordance with its internal financial reporting, the Group has determined that business segments should be presented as the primary reporting format. The Group has categorised its businesses into the following segments:

Real estate development and project management:	Development of residential and commercial properties, as well as provision of construction project management services
Specialised construction:	Design, installation and selling of curtain walls and aluminium windows, doors and fire-proof materials
Property leasing:	Leasing of premises to generate rental income and to gain from the appreciation in the properties' values in the long term
Manufacturing and trading:	Manufacturing and trading of lubricant oil and chemical products
Securities investment and trading:	Trading and investment of securities

Revenue during the year comprised the following:

	2006 *HK$'000*	2005 *HK$'000*
Revenue from provision of construction project management services	11,283	14,995
Revenue from specialised construction contracts	206,727	144,075
Gross rental and management fee income from investment properties	14,249	12,078
Sales of lubricant oil and chemical products	64,931	59,781
Sales of securities investments	5,895	–
Dividend income from securities investments	–	393
	303,085	231,322

(i) Segment revenue and result

	Real estate development and project management		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue												
Sales to external customers	11,283	14,995	206,727	144,075	14,249	12,078	64,931	59,781	5,895	393	303,085	231,322
Result												
Segment result	43,828	12,629	(3,432)	8,110	63,892	24,832	4,628	2,726	2,878	616	111,794	48,913
Unallocated costs											(3,561)	(23,823)
Operating profit											108,233	25,090
Finance costs											(948)	(583)
Income tax											(1,440)	3,642
Profit for the year											105,845	28,149

Unallocated costs represent corporate expenses and losses net of corporate income and gains.

(ii) Segment assets and liabilities

	Real estate development and project management		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets												
Segment assets	653,950	350,839	149,018	128,687	293,017	249,954	26,505	23,855	136,191	32,127	1,258,681	785,462
Unallocated corporate assets											16,485	52,973
Total assets											1,275,166	838,435
Liabilities												
Segment liabilities	46,182	43,640	99,446	88,530	5,442	4,890	5,024	5,595	–	–	156,094	142,655
Unallocated corporate liabilities											301,243	95,746
Total liabilities											457,337	238,401

Segment assets consist primarily of property, plant and equipment, investment properties, goodwill, available-for-sale financial assets, inventories, receivables and operating cash. Segment liabilities comprise all operating liabilities but exclude items such as borrowings and taxation.

(iii) Other segment information

	Real estate development and project management		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Unallocated		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	1,031	537	1,718	1,985	159	737	640	548	–	–	1,030	186	4,578	3,993
Depreciation recognised in the income statement	262	238	296	467	66	117	626	942	–	–	828	972	2,078	2,736
Revaluation gain on investment properties	–	–	–	–	52,670	15,196	–	–	–	–	–	–	52,670	15,196
Write-back of provision for properties under development	36,276	–	–	–	–	–	–	–	–	–	–	–	36,276	–
Impairment loss/ (reversal of impairment loss) recognised in the income statement	–	–	5,267	(3,767)	(109)	–	16	433	–	–	(15,385)	(256)	(10,211)	(3,590)

Capital expenditure comprises additions to property, plant and equipment *(Note 14)*.

(b) Secondary reporting format – geographical segments

The Group's businesses operate in two main geographical areas:

Hong Kong and Macau:	Specialised construction, property leasing, manufacturing and trading, and securities investment and trading
The PRC:	Real estate development and project management, specialised construction, property leasing, and manufacturing and trading

In presenting information on the basis of geographical segments, sales are presented based on the geographical locations of the customers. Segment assets and capital expenditure are presented based on the geographical locations of the assets.

	Hong Kong and Macau		The PRC		Other countries		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	44,714	24,549	258,001	206,378	370	395	303,085	231,322
Segment assets	450,038	297,031	808,643	488,431	–	–	1,258,681	785,462
Capital expenditure	1,047	1,118	3,531	2,875	–	–	4,578	3,993

6. OTHER INCOME

	2006	**2005**
	HK$'000	*HK$'000*
Interest income from bank deposits	1,562	2,358
Unrealised fair value gain on financial assets at fair value through profit or loss	–	289
Investment income (excluding dividend income)	1,562	2,647
Gain on disposal of property, plant and equipment	256	6,215
Others	1,049	1,455
	2,867	10,317

The investment income (including dividend income) from listed investments for the year ended 31 December 2006 was approximately HK$5,895,000 (2005: HK$682,000).

7. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	2006 *HK$'000*	2005 *HK$'000*
Gross rental and management fee income from investment properties	(14,249)	(12,078)
Less: outgoings	2,998	2,150
	(11,251)	(9,928)
Depreciation	2,235	2,929
Less: amount capitalised into properties under development	(157)	(193)
	2,078	2,736
Amortisation of land lease premium	3,611	1,822
Less: amount capitalised into properties under development	(3,611)	(1,822)
	–	–
Operating lease charges – minimum lease payment in respect of land and buildings	4,886	4,441
Less: amount capitalised into properties under development	(383)	(324)
	4,503	4,117
Cost of inventories sold	35,591	33,586
Auditors' remuneration	2,306	1,620
Net foreign exchange gain	(9,626)	(1,533)
Employee benefit expense *(Note 8)*	35,435	34,562
Provision for impairment of property, plant and equipment	1,902	–
Write-back of receivables previously written-off (a)	(15,658)	(1,585)

(a) The amount in 2006 mainly comprised sum received from settlements of legal proceedings out of court and interim dividends received from the liquidation of Condo Engineering (China) Limited, a former non wholly-owned subsidiary of the Company.

8. EMPLOYEE BENEFIT EXPENSE

	2006 *HK$'000*	2005 *HK$'000*
Wages and salaries	34,953	33,950
(Over-provision)/provision for unutilised annual leaves	(206)	41
Provision for long service payment	97	–
Pension costs-defined contribution plans *(Note 29)*	591	571
	35,435	34,562

(a) Directors' emoluments

The remuneration of each director of the Company ("Director", collectively "Directors") for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Employer's contributions to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Zhou Zhongshu *(note (i))*	–	–	–	–	–
Mr. Lin Xizhong *(note (ii))*	–	–	–	–	–
Mr. Qian Wenchao	–	–	–	–	–
Mr. Wang Xingdong	–	1,374	–	–	1,374
Mr. Yan Xichuan	–	1,200	–	60	1,260
Mr. Yin Liang *(note (iii))*	–	–	–	–	–
Ms. He Xiaoli	–	960	–	–	960
Ms. Tam Wai Chu, Maria	300	–	–	–	300
Mr. Lam Chun, Daniel	300	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	310
	910	3,534	–	60	4,504

The remuneration of each Director for the year ended 31 December 2005 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Employer's contributions to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lin Xizhong *(note (ii))*	–	–	–	–	–
Mr. Qian Wenchao	–	–	–	–	–
Mr. Wang Xingdong	–	2,136	–	–	2,136
Mr. Yan Xichuan	–	1,300	–	60	1,360
Ms. He Xiaoli	–	1,040	15	–	1,055
Ms. Tam Wai Chu, Maria	300	–	–	–	300
Mr. Lam Chun, Daniel	300	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	310
	910	4,476	15	60	5,461

During the year, Mr. Wang Xingdong, Mr. Yan Xichuan and Ms. He Xiaoli waived emoluments of approximately HK$110,000 (2005: Nil), HK$100,000 (2005: Nil) and HK$80,000 (2005: Nil) respectively.

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or as compensation for loss of office (2005: Nil).

notes:

(i) Appointed on 28 February 2006.

(ii) Resigned on 28 February 2006.

(iii) Appointed on 15 December 2006.

(b) Five highest-paid individuals

The five highest-paid individuals in the Group for the year ended 31 December 2006 included three (2005: three) Executive Directors whose emoluments are disclosed in (a) above. Details of the emoluments of the remaining two (2005: two) individuals during the year are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	2,792	2,557
Bonuses	103	149
Employer's contributions to pension schemes	234	219
	3,129	2,925

The emoluments fell within the following bands:

	2006	**2005**
Nil to HK$1,000,000	–	1
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	1	1
	2	2

During the year, no emoluments were paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2005: Nil).

9. FINANCE COSTS

	2006	**2005**
	HK$'000	*HK$'000*
Bank borrowings		
Wholly repayable within five years	6,123	2,000
Other loans		
Wholly repayable within five years	4,283	4,837
	10,406	6,837
Less: amount capitalised into properties under development (a)	(9,458)	(6,254)
	948	583

(a) Borrowing costs were capitalised at a rate ranging from 5.58% to 6.14% (2005: 5.58% to 5.74%) per annum.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006	2005
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Over-provision in respect of prior years	(76)	(3,675)
Current tax – Overseas		
Provision for the year	1,621	653
Over-provision in respect of prior years	–	(620)
	1,621	33
Deferred tax		
Reversal of temporary differences *(Note 27)*	(105)	–
Income tax charge/(credit)	1,440	(3,642)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit before tax	107,285	24,507
Tax calculated at domestic tax rates applicable to profits in the respective countries	20,143	4,351
Over-provision of income tax in respect of prior years	(76)	(4,295)
Reversal of deferred tax liabilities	(105)	–
Income not subject to tax	(20,089)	(5,367)
Expenses not deductible for tax purposes	1,515	2,898
Utilisation of previously unrecognised tax losses	(3,574)	(1,229)
Unrecognised tax losses	3,626	–
Income tax charge/(credit)	1,440	(3,642)

The weighted average applicable tax rate was 18.8% (2005: 17.8%). The increase is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Consolidated profit attributable to equity holders of the Company includes a profit of approximately HK$176,341,000 (2005: HK$1,345,000) which has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company of approximately HK$105,845,000 (2005: HK$28,149,000) by the weighted average number of 772,181,783 ordinary shares (2005: 772,181,783 ordinary shares) in issue during the year.

There were no dilutive potential shares in existence during the year.

13. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment are as follows:

	Group					
	Leasehold land and buildings	**Leasehold improvements**	**Plant and machinery**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005						
Cost	4,827	9,355	7,585	5,476	4,767	32,010
Accumulated depreciation and impairment	(1,173)	(7,389)	(5,800)	(3,665)	(3,810)	(21,837)
Net book amount	3,654	1,966	1,785	1,811	957	10,173
Year ended 31 December 2005						
Opening net book amount	3,654	1,966	1,785	1,811	957	10,173
Exchange differences	–	3	114	10	6	133
Transfer from investment properties	5,187	–	–	–	–	5,187
Additions	–	759	882	1,448	904	3,993
Disposals	–	(8)	(739)	(460)	(4)	(1,211)
Depreciation	(88)	(1,372)	(457)	(588)	(424)	(2,929)
Closing net book amount	8,753	1,348	1,585	2,221	1,439	15,346
At 31 December 2005						
Cost	10,014	10,040	4,908	5,814	5,677	36,453
Accumulated depreciation and impairment	(1,261)	(8,692)	(3,323)	(3,593)	(4,238)	(21,107)
Net book amount	8,753	1,348	1,585	2,221	1,439	15,346

	Group					
	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2006						
Opening net book amount	8,753	1,348	1,585	2,221	1,439	15,346
Exchange differences	–	–	10	16	28	54
Transfer from investment properties	3,600	–	–	–	–	3,600
Transfer to investment properties	(1,800)	–	–	–	–	(1,800)
Additions	–	687	874	1,396	1,621	4,578
Disposals	–	–	–	(6)	(90)	(96)
Provision for impairment	–	(799)	(971)	(61)	(71)	(1,902)
Depreciation	(306)	(656)	(302)	(585)	(386)	(2,235)
Closing net book amount	10,247	580	1,196	2,981	2,541	17,545
At 31 December 2006						
Cost	11,814	10,729	5,792	7,017	7,116	42,468
Accumulated depreciation and impairment	(1,567)	(10,149)	(4,596)	(4,036)	(4,575)	(24,923)
Net book amount	10,247	580	1,196	2,981	2,541	17,545

(b) The carrying amounts of leasehold land and buildings are analysed as follows:

	2006	**2005**
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Long-term leases (over 50 years)	6,737	8,753
In the PRC, held on:		
Long-term leases (over 50 years)	3,510	–
	10,247	8,753

Leasehold land and buildings with carrying amounts of approximately HK$6,737,000 (2005: HK$8,753,000) have been pledged as securities for bank borrowings *(Note 26(a))*.

15. INVESTMENT PROPERTIES

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Balance at 1 January	239,899	229,890
Transfer from property, plant and equipment	1,800	–
Transfer to property, plant and equipment	(3,600)	(5,187)
Revaluation gain	52,670	15,196
Balance at 31 December	290,769	239,899

The investment properties were revalued at 31 December 2006 by Vigers Appraisal & Consulting Limited, an independent firm of professional valuers. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties at their net book values are analysed as follows:

	2006	**2005**
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Long-term leases (over 50 years)	290,769	236,299
In the PRC, held on:		
Long-term leases (over 50 years)	–	3,600

Investment properties with carrying amounts of approximately HK$290,769,000 (2005: HK$236,299,000) have been pledged as securities for bank borrowings *(Note 26(a))*.

16. GOODWILL

(a) Goodwill arising from an acquisition is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Balance at 1 January	19,383	18,958
Exchange differences	712	425
Balance at 31 December	20,095	19,383

(b) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segment as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Specialised construction	20,095	19,383

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a three-year period and extrapolated for two years based on an estimated growth rate of 8.00% with reference to past performance and expectation for market development. The discount rate of 6.12% used is the weighted average cost of capital of the CGU. The calculations are carried out on the assumption that the relevant operating licence which is due to expire within the next five years will be duly renewed.

17. SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Unlisted share investments, at cost	695,296	695,296
Less: provision for impairment in value	(682,595)	(695,296)
	12,701	–

(b) Loans to subsidiaries

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Loans to subsidiaries	49,518	51,423
Less: provision for impairment of loans to subsidiaries	(47,800)	(47,800)
	1,718	3,623

Included in the loans to subsidiaries are loans to subsidiaries of approximately HK$47,800,000 (2005: HK$47,800,000) which are non-interest bearing. The remaining balances bear interest at commercial lending rates. All balances are unsecured and repayable on demand.

(c) Amounts due from subsidiaries

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Amounts due from subsidiaries	1,081,582	1,032,171
Less: provision for impairment of amounts due from subsidiaries	(335,661)	(488,212)
	745,921	543,959

The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

(d) The following is a list of the principal subsidiaries at 31 December 2006:

Name of subsidiary	Place of incorporation/ operations	Particulars of issued/registered and paid up capital *(note (i))*	Percentage of equity: Directly held by the Company	Percentage of equity: Indirectly held by the Company	Principal activities
Best Pearl Development Limited	Hong Kong	1,000 shares of HK$1 each	–	100	Property investment
Brena Company Limited	Hong Kong	500,000 shares of HK$1 each	–	100	Provision of management services
Bright Circle Limited	Hong Kong	10,000 shares of HK$1 each	–	100	Property investment
Dongguan Bridgman Fire Doors Limited *(note (ii))*	PRC	RMB12,062,711	–	100	Manufacturing of fire-proof doors
Dragon Construction (Nanjing) Properties Company Limited *(note (iii))*	PRC	US$3,300,000	–	100	Property development
Eastrend (Hong Kong) Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Enful Engineering Limited	Hong Kong/ Hong Kong and PRC	100 shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	–	100	Selling and installation of fire proof materials and products
Full Pacific Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Geraldine Profits Limited	British Virgin Islands/ Hong Kong	1 share of US$1	–	100	Securities trading
Great Way Properties Limited	Hong Kong/ PRC	2 shares of HK$1 each	–	100	Property investment
Jaeger Development Limited	British Virgin Islands	1 share of US$1	–	100	Investment holding
Jaeger Oil & Chemical Company Limited	Hong Kong	10 shares of HK$100 each and 20,000 non-voting deferred shares of HK$100 each	–	100	Manufacturing and trading of lubricant oil and chemical products
Linkcheer Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
ONFEM Finance Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	100	–	Provision of financing for group companies
ONFEM Investments Limited	British Virgin Islands/ Hong Kong	100 shares of US$10 each	100	–	Investment holding
Oriental Dragon Construction Limited *(note (iii))*	Hong Kong/ Hong Kong and PRC	10,000 shares of HK$1 each	–	100	Investment holding

Name of subsidiary	Place of incorporation/ operations	Particulars of issued/registered and paid up capital *(note (i))*	Percentage of equity Directly held by the Company	Indirectly held by the Company	Principal activities
Shanghai Jin Qiao Condo Decoration Engineering Co., Ltd. *(note (iv))*	PRC	US$2,040,000	–	100	Design and installation of curtain walls and aluminum windows
Tinnex Management Limited	Hong Kong	2 shares of HK$1 each	–	100	Property management
Top Gain Properties Limited	Hong Kong/ PRC	2 shares of HK$1 each	–	100	Property investment
Virtyre Limited	Hong Kong	2 shares of HK$10 each	–	100	Property investment
Wilson Murray Far East Limited	Hong Kong	100 shares of HK$10 each	–	100	Provision of construction project management services
Zhuhai (Oriental) Blue Horrison Properties Company Limited *(note (v))*	PRC	RMB44,000,000	–	100	Property development

notes:

(i) The class of shares held is ordinary unless otherwise stated. None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2006.

(ii) Dongguan Bridgman Fire Doors Limited ("Dongguan Bridgman") is a Sino-foreign equity joint venture established in the PRC with an initial operating period of 12 years up to 2005 and further extending to 2017, of which Bridgman Fire Doors (H.K.) Limited ("Bridgman HK"), a wholly-owned subsidiary of the Company, is a joint venture partner. Pursuant to the terms as stipulated in the joint venture agreement, the Chinese joint venture partner is entitled to a fixed annual guaranteed distribution of RMB60,000 while Bridgman HK is entitled to share all the profit/loss of Dongguan Bridgman after deducting the distribution to the Chinese joint venture partner.

(iii) Dragon Construction (Nanjing) Properties Company Limited, a wholly-owned subsidiary of Oriental Dragon Construction Limited ("ODCL"), is a foreign investment enterprise established in the PRC with an operating period of 15 years up to 2021.

Pursuant to a shareholders' agreement dated 11 April 2006 entered into amongst Karman Industries Limited ("KIL"), Stillpower Limited ("SL") (both are wholly-owned subsidiaries of the Company), World Ocean Development Limited ("WODL") and ODCL, ODCL will become a joint venture company, owned as to 71% by the Company through KL and SL and 29% by WODL, upon completion of the share transfer.

(iv) Shanghai Jin Qiao Condo Decoration Engineering Co., Ltd., a wholly-owned subsidiary of the Company, is a foreign investment enterprise established in the PRC with an operating period of 15 years up to 2008.

(v) Zhuhai (Oriental) Blue Horrison Properties Company Limited, a wholly-owned subsidiary of the Company, is a foreign investment enterprise established in the PRC with an operating period of 8 years up to 2007.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Balance at 1 January	29,340	28,440
Revaluation surplus transferred to equity *(Note 25)*	106,740	900
Balance at 31 December	136,080	29,340
Less: non-current portion	–	(29,340)
Current portion	136,080	–

Available-for-sale financial assets include the following:

	2006	**2005**
	HK$'000	*HK$'000*
Equity securities:		
Listed in Hong Kong, at fair value	136,080	29,340
Unlisted, at cost	243,600	243,600
Less: provision for impairment in value	(243,600)	(243,600)
	–	–
	136,080	29,340

At 31 December 2006, the carrying amount of interest in the following company exceeded 10% of total assets of the Group.

Name	**Place of incorporation**	**Particulars of issued shares**	**Interest held**
China Merchants China Direct Investments Limited	Hong Kong	137,145,600 ordinary shares of US$0.1 each	5.25%

19. INVENTORIES

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Manufacturing and trading stocks		
Raw materials	6,389	5,129
Finished goods	3,232	3,723
	9,621	8,852
Less: provision for inventory obsolescence	(2,521)	(2,759)
Manufacturing and trading stocks, net	7,100	6,093
Properties under development – located in the PRC	481,507	244,979
Less: provision for net realisable value	–	(36,276)
Properties under development, net (a)	481,507	208,703
	488,607	214,796

(a) Properties under development

	2006	**2005**
	HK$'000	*HK$'000*
Land use rights	290,284	77,342
Construction in progress	191,223	131,361
	481,507	208,703

At 31 December 2006, the provision for net realisable value of approximately HK$36,276,000 made in previous years was written back due to the recovery of the property market. The amount written-back is recognised in the income statement.

Properties under development with carrying amounts of approximately HK$308,836,000 (2005: Nil) have been pledged as securities for bank borrowings *(Note 26(a))*.

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and contract receivables, net (a)	105,244	83,170	–	–
Retention receivables *(Note 21)*	12,724	7,039	–	–
Deposits	31,211	52,242	38	650
Prepayments	818	876	276	324
Others	7,366	18,655	11	28
	157,363	161,982	325	1,002

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	15,752	18,117	325	1,002
RMB	138,656	114,083	–	–
United States ("US") dollars	2,955	29,782	–	–
	157,363	161,982	325	1,002

(a) The aging analysis of trade and contract receivables is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
0-30 days	38,146	40,924
31 – 60 days	12,978	16,710
61 – 90 days	8,075	6,898
Over 90 days	63,854	34,027
	123,053	98,559
Less: provision for impairment of receivables	(17,809)	(15,389)
	105,244	83,170

For trade receivables, the normal credit period granted by the Group to the customers is from 30 days to 60 days from the date of invoice. The credit period for contract receivables varies in accordance with the terms of contracts.

21. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	184,406	112,699
Less: progress billings	(183,789)	(111,955)
Gross amounts due from customers for contract work	617	744

At 31 December 2006, retentions held by customers for contract work included in non-current retention receivables of the Group and trade and other receivables of the Group amounted to approximately HK$9,866,000 (2005: HK$4,539,000) and HK$12,724,000 (2005: HK$7,039,000) respectively.

22. PLEDGED DEPOSITS

The carrying amounts of pledged deposits are denominated in the following currencies:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	5,000	5,000	5,000	5,000
RMB	31,994	–	–	–
	36,994	5,000	5,000	5,000

Pledged deposits represent deposits pledged to banks to secure banking facilities granted to the Group *(Note 26(a))*. At 31 December 2006, pledged deposits carried interest at rates ranging from 2.25% to 3.40% (2005: 3.40%).

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank deposits	116,037	143,299	2,605	49,976
Cash on hand	64	48	–	–
Cash and bank deposits (a)	116,101	143,347	2,605	49,976
Bank overdraft *(Note 26)*	(3,516)	(1,103)	–	–
	112,585	142,244	2,605	49,976

(a) The carrying amounts of cash and bank deposits are denominated in the following currencies:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	7,534	25,900	2,048	5,569
RMB	107,932	72,970	–	–
US dollars	600	44,433	557	44,407
Other currencies	35	44	–	–
	116,101	143,347	2,605	49,976

24. SHARE CAPITAL

	2006		2005	
	No. of Shares	Amount	No. of Shares	Amount
	('000)	*HK$'000*	*('000)*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	772,182	77,218	772,182	77,218

(a) Share options

On 29 May 2003, the Company adopted a share option scheme under which the Directors may, at their discretion, invite any person who has contributed or will contribute to the Group to take up options at a nominal consideration of HK$10 for each lot of share options granted. Detail information of the share option scheme is disclosed in the paragraph headed "Information Relating to the Option Scheme" in the "Report of the Directors" section of this annual report.

(i) Share options were granted on 15 March 2004 under the share option scheme and are exercisable during a three-year period commencing on the date of acceptance of the share options by each respective Director or employee, and shall expire at the end of the three-year period. At 31 December 2006, the details of the share options granted and outstanding are as follows:

Category of participant	Exercise period of share options	Exercise price	Number of share options
		HK$	*('000)*
Directors	16 March 2004 to 15 March 2007	0.83	8,000
Employees	17 March 2004 to 26 April 2007	0.83	6,800
			14,800

(ii) Movements in the above share options are as follows:

	Number of share options	
	2006	2005
	('000)	*('000)*
Balance at 1 January	20,100	20,900
Lapsed	(5,300)	(800)
Balance at 31 December	14,800	20,100

25. RESERVES

(a) Group

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2005	409,738	600,412	769	11,520	646	(531,776)	491,309
Currency translation adjustments	–	–	–	–	2,458	–	2,458
Revaluation surplus of available-for-sale financial assets	–	–	–	900	–	–	900
Profit for the year	–	–	–	–	–	28,149	28,149
Balance at 31 December 2005	409,738	600,412	769	12,420	3,104	(503,627)	522,816
Currency translation adjustments	–	–	–	–	5,210	–	5,210
Revaluation surplus of available-for-sale financial assets	–	–	–	106,740	–	–	106,740
Profit for the year	–	–	–	–	–	105,845	105,845
Balance at 31 December 2006	409,738	600,412	769	119,160	8,314	(397,782)	740,611

(b) Company

	Share premium HK$'000	Contributed surplus (c) HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2005	409,738	575,220	769	(482,045)	503,682
Profit for the year	–	–	–	1,345	1,345
Balance at 31 December 2005	409,738	575,220	769	(480,700)	505,027
Profit for the year	–	–	–	176,341	176,341
Balance at 31 December 2006	409,738	575,220	769	(304,359)	681,368

(c) Contributed surplus mainly represents the excess of the fair value of shares in ONFEM Investments Limited acquired by the Company over the nominal value of the new shares of the Company issued pursuant to the Share Exchange Agreement dated 19 November 1991.

Under the Companies Act 1981 of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities, issued share capital and share premium account.

(d) At 31 December 2006, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$271,630,000 (2005: HK$95,289,000).

26. BORROWINGS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Non-current		
Bank borrowings, secured (a)	99,640	–
Current		
Bank overdrafts, secured	3,516	1,103
Bank term-loans, secured	86,601	13,936
Bank borrowings, secured (a)	90,117	15,039
Loans from a fellow subsidiary, secured *(Note 33)*	81,705	48,055
	171,822	63,094
Total borrowings	271,462	63,094

(a) Banking facilities

At 31 December 2006, the Group's aggregate banking facilities, including bank borrowings, amounted to approximately HK$308,122,000 (2005: HK$194,685,000), of which the unutilised facilities as at the same date amounted to approximately HK$103,224,000 (2005: HK$176,011,000). Securities for the facilities include:

(i) fixed deposits of the Group of approximately HK$36,994,000 (2005: HK$5,000,000), including that of the Company of approximately HK$5,000,000 (2005: HK$5,000,000);

(ii) Leasehold land and buildings and investment properties with carrying amounts of approximately HK$6,737,000 (2005: HK$8,753,000) and HK$290,769,000 (2005: HK$236,299,000) respectively;

(iii) properties under development with carrying amounts of approximately HK$308,836,000 (2005: Nil); and

(iv) corporate guarantees given by the Company.

(b) The maturity of the Group's borrowings is as follows:

	Bank borrowings		Loans from a fellow subsidiary	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	90,117	15,039	81,705	48,055
In the second year	99,640	–	–	–
	189,757	15,039	81,705	48,055

(c) All the borrowings are on a floating interest rate basis. The effective interest rates at the balance sheet date were as follows:

	2006		2005	
	HK$	*RMB*	*HK$*	*RMB*
Non-current				
Bank borrowings	–	7.56%	–	–
Current				
Bank overdrafts	7.75%	–	7.75%	–
Bank term-loans	5.00%	6.12%	–	5.58%
Loans from a fellow subsidiary	–	6.14%	–	5.74%

(d) The carrying amounts of the Group's borrowings approximate their fair values and are denominated in the following currencies:

	2006	**2005**
	HK$'000	*HK$'000*
Hong Kong dollars	74,673	1,103
RMB	196,789	61,991
	271,462	63,094

27. DEFERRED TAX

The movement on the deferred tax assets is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Balance at 1 January	932	932
Recognised in the income statement	–	–
Balance at 31 December	932	932

The movement on the deferred tax liabilities is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Balance at 1 January	105	105
Recognised in the income statement	(105)	–
Balance at 31 December	–	105

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2006, the Group had unrecognised tax losses in Hong Kong of approximately HK$140,173,000 (2005: HK$215,180,000) to carry forward against future taxable income and these tax losses have no expiry date. In addition, the Group had unrecognised tax losses in the PRC of approximately HK$18,336,000 as at 31 December 2006 (2005: HK$24,278,000) and these tax losses will expire within 5 years.

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade, bills and contract payables (a)	107,176	99,794	–	–
Retention payables	21,176	10,453	–	–
Accruals and other payables	29,632	38,459	2,333	3,078
Provisions (b)	–	–	7,351	18,237
Rental deposits received	2,917	1,195	–	–
Other deposits received	7,422	7,699	–	–
	168,323	157,600	9,684	21,315

The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	31,027	19,786	9,684	21,315
RMB	136,810	136,876	–	–
US dollars	74	568	–	–
Other currencies	412	370	–	–
	168,323	157,600	9,684	21,315

(a) The aging analysis of trade, bills and contract payables is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
0 – 30 days	23,499	25,617
31 – 60 days	6,773	10,161
61 – 90 days	4,914	3,821
Over 90 days	71,990	60,195
	107,176	99,794

(b) **Provisions**

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Balance at 1 January	18,237	–
Provisions for the year	–	18,237
Unused amounts reversed	(10,886)	–
Balance at 31 December	7,351	18,237

The amount represents the provision made for corporate guarantees in respect of banking facilities extended to subsidiaries *(Note 31)*.

29. PENSION OBLIGATIONS

The Group participates in a defined contribution pension scheme and a Mandatory Provident Fund ("MPF") scheme for the eligible employees in Hong Kong.

A defined contribution pension scheme is provided to certain eligible employees ("Employees") employed by the Group. The Group is required to make monthly contributions to the scheme at 5% of the Employees' monthly salary. Employees under the defined contribution scheme are entitled to 100% of the employer's contributions and the accrued interest upon retirement or upon leaving the Group after completing ten years of service from the date of joining the Group, or at a scale of between 20% and 90% after completing at least two but less than ten years of service from the date of joining the Group.

Under the MPF scheme, each of the Hong Kong subsidiaries of the Group and those employees not eligible to join the defined contribution pension scheme make monthly contributions to the MPF at 5% of the employees' cash income as defined under the MPF legislation. Contributions by both of the Hong Kong subsidiaries and their employees are subject to a maximum of HK$1,000 per month per employee and thereafter contributions are voluntary and are not subject to any limitation. The mandatory contributions under the MPF are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees. In addition to the mandatory contribution, employees are entitled to 100% of the employers' voluntary contributions to the fund plus investment earnings upon leaving employment after completing ten years of service, or upon retirement after attaining the retirement age notwithstanding the number of years of service, or upon death or ceasing to be an employee due to total incapacity. Employees are also entitled to the employers' voluntary contributions to the fund plus investment earnings calculated at a scale of between 20% and 90% after completing a period of service of at least two but less than ten years.

The Group's contributions to the pension scheme and the MPF scheme are expensed as incurred. Contributions to the pension scheme and MPF scheme are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Forfeited contributions totalling approximately HK$75,000 (2005: HK$57,000) were utilised during the year and there were no unutilised forfeited contributions available as at 31 December 2006.

As stipulated by rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local government. The Group is required to contribute to the plan at a rate ranging from 10% to 22% of the basic salary of the PRC employees in addition to contributions by employees at a rate of 8% of the basic salary as specified by the local government, and the Group has no further obligations for the actual payment of the pensions or post-retirement benefits beyond the annual contributions made.

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before tax to cash (used in)/generated from operations

	2006	**2005**
	HK$'000	*HK$'000*
Profit before tax	107,285	24,507
Interest income	(1,562)	(2,358)
Interest expense	948	583
Depreciation	2,078	2,736
Revaluation gain on investment properties	(52,670)	(15,196)
Write-back of provision for properties under development	(36,276)	–
Provision for impairment of property, plant and equipment	1,902	–
Gain on disposal of property, plant and equipment	(256)	(6,215)
Provision for impairment of other assets	–	1,312
(Write-back of provision)/provision for inventory obsolescence	(238)	398
Provision/(write-back of provision) for impairment of receivables	2,420	(3,868)
Gain on sales of financial assets at fair value through profit or loss	(3,117)	–
Unrealised fair value gain on financial assets at fair value through profit or loss	–	(289)
Dividend income from securities investments	–	(393)
Operating profit before working capital changes	20,514	1,217
Increase in retention receivables, non-current portion	(5,327)	(3,660)
Decrease in other assets	152	55
Increase in inventories	(227,682)	(6,256)
Decrease/(increase) in trade and other receivables	2,199	(74,624)
Decrease in gross amounts due from/(to) customers for contract work, net	127	130
(Increase)/decrease in pledged deposits	(31,994)	33,100
Increase in trade and other payables	10,723	49,034
(Decrease)/increase in other liabilities	(994)	286
Exchange adjustments	4,444	1,900
Cash (used in)/generated from operations	(227,838)	1,182

31. CONTINGENT LIABILITIES

At 31 December 2006, the Company had executed corporate guarantees amounting to approximately HK$195,991,000 (2005: HK$194,400,000) to various banks in respect of banking facilities extended to subsidiaries, of which provision of approximately HK$7,351,000 (2005: HK$18,237,000) was made. At 31 December 2006, the utilised facilities, under which corporate guarantees from the Company were given, amounted to approximately HK$92,767,000 (2005: HK$18,528,000).

32. COMMITMENTS

(a) Capital commitments of the Group outstanding at 31 December 2006 were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Contracted but not provided for in respect of property development	160,478	275,890

At 31 December 2006, the Company did not have any outstanding capital commitment (2005: Nil).

(b) At 31 December 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Not later than one year	5,691	4,475
Later than one year and not later than five years	4,806	5,429
After five years	2,053	2,550
	12,550	12,454

At 31 December 2006, the Company did not have any operating lease commitment (2005: Nil).

(c) The Group leases out investment properties under operating leases which generally run for an initial period of one to three years. None of the leases includes contingent rentals.

At 31 December 2006, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Not later than one year	11,705	11,226
Later than one year and not later than five years	6,575	5,828
	18,280	17,054

At 31 December 2006, the Company did not have any future lease receipt (2005: Nil).

33. RELATED PARTY TRANSACTIONS

The Directors consider the immediate holding company to be June Glory International Limited, a company incorporated in the British Virgin Islands; the intermediate holding company to be China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), a company incorporated in Hong Kong; and the ultimate holding company to be China Minmetals Corporation ("China Minmetals"), a company incorporated in the PRC.

The Group had the following material transactions and balances with related parties, which were carried out in the ordinary and normal course of business of the Group:

(a) Transactions with related parties

	2006	**2005**
	HK$'000	*HK$'000*
Construction project management service revenue from a fellow subsidiary *(note (i))*	11,662	15,344
Specialised construction revenue from related companies *(note (ii))*	15,074	30,206
Rental expenses and license fees paid to fellow subsidiaries *(note (iii))*	1,614	1,354
Loan interest costs to a fellow subsidiary *(note (iv))*	4,668	1,037
Interest costs to related companies *(note (ii))*	5,014	56
Construction costs to a related company for a real estate development project *(note (ii))*	21,270	–
Payment to local governments in the PRC for settlement of land costs *(note (ii))*	175,880	–

(b) Balances with related parties

	2006	**2005**
	HK$'000	*HK$'000*
Contract receivable from a fellow subsidiary for construction project management services *(note (i))*	9,574	2,562
Contract and other receivables from related companies for specialised construction contracts *(note (ii))*	11,623	15,901
Contract payable to a related company for a real estate development project *(note(ii))*	35,797	34,528
Contract and retention payables to a related company for a specialised construction contract *(note (ii))*	3,046	22,540
Short-term loans from a fellow subsidiary *(note (iv))*	81,705	48,055
Bank borrowings from related companies *(note (ii))*	174,313	1,103

(c) Key management compensation

	2006	**2005**
	HK$'000	*HK$'000*
Salaries and short-term employee benefits	4,444	5,401
Pension costs – defined contribution plan	60	60
	4,504	5,461

notes:

(i) Details of the construction project management agreement dated 29 July 2004 entered into between a subsidiary and a fellow subsidiary of the Company have been published in the Company's announcement dated 29 July 2004. The transaction constituted a connected transaction as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(ii) As China Minmetals is a state-owned enterprise, the government of the PRC (the "PRC Government") is considered as the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to China Minmetals, directly or indirectly controlled by the PRC Government are also considered as related parties of the Group. Since many state-controlled

enterprises have multi-layered and diversified corporate structure and the structure may also change over time as a result of transfers and privatisation programmes, to balance the cost and benefit in making disclosure, the Group has only disclosed material transactions with such state-controlled enterprises.

(iii) The transactions constituted continuing connected transactions as defined in the Listing Rules.

(iv) The short-term loans from a fellow subsidiary made on 11 January 2006 and 20 March 2006, for working capital purposes to a subsidiary of the Company for a term of 1 year bearing interest at the rate of 6.14% per annum, are secured by corporate guarantees from Minmetals HK. The transactions constituted connected transactions as defined in the Listing Rules.

34. EVENTS AFTER THE BALANCE SHEET DATE

On 4 January 2007, ONFEM Investments Limited disposed of the 7,200,000 ordinary shares in China Merchants China Direct Investments Limited, at HK$22.0 per share for a cash consideration of approximately HK$158,400,000. As a result of the disposal, a gain of approximately HK$140,900,000 is expected to be realised by the Group for the year ending 31 December 2007.

Further details of the above transaction have been published in the Company's circular dated 21 February 2007.

C. WORKING CAPITAL

As at the Latest Practicable Date, after taking into account of the available banking facilities and the internal resources of the Group, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Group and JH (the "Enlarged Group") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Transaction as if it had taken place on 31 December 2006. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Transaction been completed as at 31 December 2006 or at any future date.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is based on the audited consolidated balance sheet of the Group as at 31 December 2006 as extracted from the annual report of the Company for the year ended 31 December 2006, and the audited balance sheet of JH as at 30 May 2007 as extracted from the accountants' report on JH set out in Appendix I to this circular.

As at 31 December 2006

	Consolidated statement of assets and liabilities of the Group		Pro forma adjustments			Pro forma consolidated Enlarged Group balances
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	17,545	–				17,545
Investment properties	290,769	–				290,769
Goodwill	20,095	–			573	20,668
Investment in a subsidiary	–	–	199,614		(199,614)	–
Available-for-sale financial assets	–	–				–
Deferred tax assets	932	–				932
Retention receivables	9,866	–				9,866
Other assets	197	–				197
	339,404	–				339,977
Current assets						
Inventories	488,607	–				488,607
Trade and other receivables	157,363	258,736				416,099
Gross amounts due from customers for contract work	617	–				617
Available-for-sale financial assets	136,080	–				136,080
Financial assets at fair value through profit or loss	–	–				–
Pledged deposits	36,994	–				36,994
Cash and bank deposits	116,101	83,224	181,486			380,811
	935,762	341,960				1,459,208
Total assets	1,275,166	341,960				1,799,185

	Consolidated statement of assets and liabilities of the Group		Pro forma adjustments			Pro forma consolidated Enlarged Group balances
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY						
Capital and reserves attributable to equity holders of the Company						
Share capital	77,218	10,300	381,100		(391,400)	77,218
Reserves/(accumulated loss)	740,611	(1,123)			1,123	740,611
	817,829	9,177				817,829
Minority interests	–	–			191,236	191,236
Total equity	817,829	9,177				1,009,065
LIABILITIES						
Non-current liabilities						
Borrowings	99,640	–				99,640
Deferred tax liabilities	–	–				–
Other liabilities	6,226	–				6,226
	105,866	–				105,866
Current liabilities						
Trade and other payables	168,323	528				168,851
Amount due to immediate holding company	–	33		(33)		–
Loans from immediate holding company	–	332,222		(332,222)		–
Amount due to minority investor	–	–		33		33
Loans from minority investor	–	–		332,222		332,222
Current tax payable	11,326	–				11,326
Borrowings	171,822	–				171,822
	351,471	332,783				684,254
Total liabilities	457,337	332,783				790,120
Total equity and liabilities	1,275,166	341,960				1,799,185
Net current assets	584,291	9,177				774,954
Total assets less current liabilities	923,695	9,177				1,114,931

Notes:

1. The consolidated statement of assets and liabilities of the Group is based on the audited consolidated balance sheet of the Group as at 31 December 2006 as extracted from the annual report of the Company for the year ended 31 December 2006, which is set out in Appendix II to this circular.

2. The adjustment represents the inclusion of the statement of assets and liabilities of JH as at 30 May 2007 extracted from the accountants' report of JH as at 30 May 2007 as set out in Appendix I to this circular. The accountants' report of JH, which adopted Renminbi as its reporting currency, was translated to Hong Kong dollars using the exchange rate of RMB1.00 = HK$1.03.

3. The adjustment reflects the injection of the additional registered capital in JH of RMB370,000,000 (approximately HK$381,100,000), of which RMB193,800,000 (approximately HK$199,614,000) is contributed by the Group and RMB176,200,000 (approximately HK$181,486,000) is contributed by JS.

4. The adjustment represents the reclassification of amount due to and loans from immediate holding company to amount due to and loans from minority investor respectively due to the change of controlling shareholder of JH resulting from the Transaction.

5. The adjustment reflects the elimination of the Group's investment in JH and the registered capital and accumulated loss of JH. Goodwill of approximately HK$573,000 was recognised, which represents the excess of the capital contribution of approximately HK$199,614,000 by the Group over the Group's interest in the net fair value of the identifiable assets and liabilities of JH amounting to approximately HK$199,041,000.

6. No adjustment has been made to reflect any trading result or other transaction of the Group or JH entered into subsequent to 31 December 2006 and 30 May 2007 respectively.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants of the Group, for the purpose of incorporation in this circular.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT FROM ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF MINMETALS LAND LIMITED

We report on the unaudited pro forma consolidated statement of assets and liabilities under the heading of "Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in section A of Appendix III to the circular dated 5 July 2007 (the "Circular") of Minmetals Land Limited (the "Company"), in connection with the proposed formation of joint venture for a property development project in Changsha, Hunan Province, the PRC (the "Transaction") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 91 to 94 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the consolidated statement of assets and liabilities of the Group as at 31 December 2006 with the audited consolidated balance sheet of the Group as at 31 December 2006, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2006 or at any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 5 July 2007

B. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2007, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had aggregate outstanding borrowings of approximately HK$289,511,000, comprising secured bank overdrafts of approximately HK$2,775,000, secured trust receipt bank loans of approximately HK$923,000, secured short-term bank loans of approximately HK$19,726,000, secured long-term bank loan of approximately HK$101,560,000, short-term loans from a fellow subsidiary of approximately HK$83,279,000 guaranteed by China Minmetals H.K. (Holdings) Limited, the intermediate holding company of the Company, and short-term loans from shareholders of JH of approximately HK$81,248,000.

Saved as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, at the close of business on 30 April 2007, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees.

Contingent liabilities

As at the close of business on 30 April 2007, the Enlarged Group did not have any material contingent liabilities.

Securities and charges

As at the close of business on 30 April 2007, the Enlarged Group's aggregate banking facilities in respect of the bank borrowings, were approximately HK$275,872,000, which were secured by pledged deposits of the Enlarged Group of approximately HK$25,312,000; investment properties, leasehold land and buildings and property under development of the Enlarged Group with carrying amounts of approximately HK$290,769,000, HK$6,684,000 and HK$351,046,000 respectively; and corporate guarantees provided by the Company.

As at the close of business on 30 April 2007, the Enlarged Group has pledged a fixed deposit of approximately HK$12,299,000 to a bank for the issue of a surety bond for payment of construction work to a main contractor of a property development of the Enlarged Group.

Save as disclosed above, the Enlarged Group did not have any mortgages or charges at the close of business on 30 April 2007.

C. MANAGEMENT DISCUSSION AND ANALYSIS ON JH

Set out in Appendix I to this circular is the accountants' report on JH for the period from 23 April 2007 (date of establishment) to 30 May 2007 (the "Relevant Period"). Below is the management discussion and analysis on JH's performance during the Relevant Period.

Since the date of its establishment, JH has not been involved in any significant business transactions, other than bidding for the Land. JH's net loss for the Relevant Period was approximately RMB1.1 million, including finance costs of approximately RMB0.5 million.

Liquidity and financial resources

During the Relevant Period, JH derived its funds from the issue of capital and loans from JS, its immediate holding company. During the Relevant Period, JH secured a short-term loan facility of approximately RMB385.0 million from its immediate holding company to finance the partial payment of the land premium of the Land.

As at 30 May 2007, cash and cash equivalents of JH amounted to approximately RMB80.8 million which were denominated in RMB. Loans from its immediate holding company amounted to approximately RMB322.5 million as at 30 May 2007, which were denominated in RMB, bearing interest at the fixed rate of 6.075% per annum and repayable within one year. For the gearing ratio as at 30 May 2007, total loans represented approximately 36.2 times of total equity.

Commitments of JH for the acquisition of land use rights of the Land as at 30 May 2007 amounted to approximately RMB376.8 million and are to be financed by the capital contribution from the proposed increase in registered capital and shareholders' loans. As at 30 May 2007, JH had an unutilised loan facility of approximately RMB62.5 million.

Exposure to fluctuation in exchange rates

The business activities and operation of JH were in the PRC, with expenditure, assets and liabilities denominated in RMB. It did not have significant foreign currency exposure.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from RHL, independent property valuers, in connection with its valuation of the property interest to be acquired by the Company as at 3 May 2007.

永利行評值顧問有限公司 | RHL Appraisal Ltd
Surveying Practices - Corporate Valuation and Property Consultancy
License No.: C-015672

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5 July 2007

The Board of Directors
Minmetals Land Limited
18/F., China Minmetals Tower
79 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

Dear Sirs,

INSTRUCTION

In accordance with the instruction from **Minmetals Land Limited** (the "Company") to value two parcels of land located at Yuetang Village and Gaotang Village, Muyun Town, Changsha County, Changsha City, Hunan Province, the People's Republic of China (the "PRC") described as Land Nos. (Gua) [2007] 09 and 10 as per the Confirmation of the Sale of State-owned Land via Listing (國有土地使用權掛牌成交確認書) issued by Changsha Land Exchange Centre (長沙縣土地交易中心) on 30 April 2007 (as referred to the "Land"), we confirm that we have carried out an inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Land as at 3 May 2007 (the "date of valuation").

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumption, valuation considerations and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation is our opinion of the market value which we would define as intended 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.

In our valuation, we have valued the Land with the consideration of the site clearance works to be completed and have disregarded any land improvement works, buildings and structures that may be erected on them.

VALUATION METHODOLOGY

In our valuation, direct comparison method is adopted where comparison based on prices realised on actual sales of comparable land is made. Comparable land of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each land in order to arrive at a fair comparison of market values.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 of and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1 January 2005.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner(s) sell the property interests on the market in their existing state without any benefit of deferred terms contracts, leaseback, joint-ventures, management agreements or any similar arrangements which would serve to affect the value of the Land.

We have assumed that the owner(s) have free and uninterrupted rights to use the Land for the whole of the unexpired terms of the land use rights subject to payment of annual ground rent/annual land use fees, and all requisite land premium/purchase consideration payable has been fully settled (if any).

Other special assumptions of the Land, if any, have been stated out in the footnotes of the valuation certificate attached herewith.

TITLE INVESTIGATION

We have been provided with two copies of the Confirmation of the Sale of State-owned Land via Listing (國有土地使用權掛牌成交確認書) (Listing reference number 2007-09 and 2007-10) issued by Changsha Land Exchange Centre regarding the Land. We have also relied on the legal opinion prepared by the PRC legal adviser, King & Wood (北京市金杜律師事務所), on the Company's title to this property interest and in the nature of its land use rights in the Land. However, we did not conduct investigation on the legal title or any liabilities attached to the Land due to the fact that the current real estate registration system in Changsha City, Hunan Province, the PRC only allows registered owner or lawyers to conduct such investigation.

All legal documents supplied by the Company have been used for reference only. No responsibility regarding legal title to the Land is assumed in this valuation report.

LIMITING CONDITIONS

No allowance has been made in our valuation for any outstanding or additional land premium, charges, mortgages, comprehensive infrastructure provision fee, resettlement compensation or amounts owing on the property interests nor for expenses or taxation which may be incurred in effecting a sale. It is assumed that the Land is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its land value.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, land use right, site areas, particulars of occupancy and all other relevant matters in the identification of the Land in which the owner has a valid interest.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Land but have assumed that the site areas shown on the documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the Land but no site investigation has been carried out to determine the suitability of the ground conditions or the services of the Land for future development. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. No tests were carried out on any of the services. All dimensions, measurements and areas are only approximates.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

REMARKS

All monetary sums stated in this report are in Renminbi ("RMB").

Our summary of value and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau	**Andy C. K. Wu**
FHKIS AAPI RPS(GP)	**BSSc BSc (Est Man) FHKIS FRICS RPS (GP)**
Registered PRC Real Estate Appraiser	*Senior Associate Director*
Managing Director	

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 16 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Andy C. K. Wu is a Registered Professional Surveyor with over 20 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Mr. Wu is a Fellow of The Royal Institution of Chartered Surveyors, The Hong Kong Institute of Surveyors and an eligible real estate appraiser in the PRC.

SUMMARY OF VALUE

LAND TO BE ACQUIRED BY THE COMPANY IN THE PRC

Land	Market Value in an existing state as at 3 May 2007 *RMB*
Two parcels of land located at Yuetang Village and Gaotang Village, Muyun Town, Changsha County, Changsha City, Hunan Province, the PRC	650,000,000
Total:	650,000,000

VALUATION CERTIFICATE

Land	Description and tenure	Particulars of occupancy	Market Value in an existing state as at 3 May 2007
Two parcels of land located at Yuetang Village and Gaotang Village, Muyun Town, Changsha County, Changsha City, Hunan Province, the PRC	The Land comprises two parcels of adjoining land with a total gross site area and net site area of approximately 632,837 sq.m. and 608,212 sq.m. respectively. The total expected gross floor area of the buildings and structures to be constructed on the Land is approximately 1,338,066 sq.m.. The land use right of the site, according to the *Guidelines for Listing of State-owned Land Nos. (Gua) [2007] 09 and 10 (國有土地使用權掛牌須知–(掛)[2007]09號及10號 will be held for a term of 70 years for residential use.	The Land is vacant.	RMB650,000,000 (RENMINBI SIX HUNDRED AND FIFTY MILLION ONLY)

Notes:

1. Pursuant to the Guidelines for Listing of State-owned Land Nos. (Gua) [2007] 09 and 10 (國有土地使用權掛牌須知–(掛)[2007]09號及10號) (as referred to the "Guidelines") issued by Changsha Land Exchange Centre, the Land was for sale via listing by the Changsha Land and Resource Bureau. The development conditions of the Land, with a total gross site area and total net site area of approximately 632,837 sq.m. and 608,212 sq.m. respectively, are set out as follows:

No. (Gua) [2007] 09

Gross Site Area	:	327,698 sq.m. (491.547 acre)
Net Site Area	:	322,351 sq.m. (483.5265 acre)
Plot Ratio	:	Not exceeding 2.2
Building Density	:	Not exceeding 30%
Greenary Ratio	:	Not less than 35% of the site area
Building Height	:	Subject to the height restriction of Datuo Airport (大托機場)
Usage	:	Residential development
Duration	:	70 years for residential use

No. (Gua) [2007] 10

Gross Site Area	:	305,139 sq.m. (457.7085 acre)
Net Site Area	:	285,861 sq.m. (428.7915 acre)
Plot Ratio	:	Not exceeding 2.2
Building Density	:	Not exceeding 30%
Greenary Ratio	:	Not less than 35% of the site area
Building Height	:	Subject to the height restriction of Datuo Airport (大托機場)
Usage	:	Residential development
Duration	:	70 years for residential use

2. Pursuant to the Confirmation of the Sale of State-owned Land via Listing (國有土地使用權掛牌成交確認書) (Listing reference number 2007-09 and 2007-10) issued by Changsha Land Exchange Centre, the Land was sold to 湖南嘉和日盛房地產開發有限公司 (as referred to "JH") on 30 April 2007 at a total price of RMB628,000,000 (RMB335,000,000 for the lot with reference number of 2007-09 and RMB293,000,000 for the lot with reference number of 2007-10).

3. Our valuation is prepared based on the following assumptions:

   (i) All requisite land premium, taxes and expenses of the Land has been settled and is entitled to freely transfer, lease, mortgage or otherwise handle the ownership rights of the Land.

   (ii) There is no legal impediment to obtain State-owned Land Use Rights Certificate.

   (iii) The conditions contained in the State-owned Land Use Rights Certificate shall be the same as those in the Guidelines.

4. For reference purpose, we are of the opinion that the breakdown of the market value of the Land shall be RMB344,500,000 for the lot with reference number of 2007-09 and RMB305,500,000 for the lot with reference number of 2007-10.

5. The legal opinion from the PRC legal adviser to the Company on the Land is summarized as follows:

   (i) JH has actually paid for part of the land premium to the PRC Government at a sum of RMB251,200,000, 40% of land premium.

   (ii) As informed by Changsha Land Exchange Centre in June 2007, JH shall pay the land premium of RMB125,600,000 before 30 July 2007.

   (iii) Upon obtaining *Contract for Grant of Land (供地合同) (as referred to the "contract"), JH shall fully pay the remaining land premium of RMB251,200,000, within the period stated in the said contract for obtaining State-owned Land Rights Contract.

   (iv) Upon obtaining the State-owned Land Use Rights Certificate(s), JH shall have the legal interest in the use rights of the Land.

6. A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Certificate	N/A
(ii)	State-owned Land Use Rights Grant Contract	N/A
(iii)	Construction Land Use Planning Permit	N/A
(iv)	Construction Works Planning Permit	N/A

* *For identification only*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the Shares and underlying Shares or in the shares or underlying shares of any of its associated corporations (within the meaning of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, as recorded in the register kept by the Company pursuant to section 352 of the SFO, were as follows:

Long Position in Shares

Name of Director	Nature of interest	Number of Shares held
He Xiaoli	Personal	20,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company or any of their associates had any personal, family, corporate or other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO).

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into, a service contract with any member of the Group which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESS

As at the Latest Practicable Date, (i) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, which is significant in relation to the business of the Group; (ii) none of the Directors of the Company and his/her respective associates has any competing interests (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder); and (iii) none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Minmetals Land Investments Limited ("MLI", formerly known as ONFEM Investments Limited), a wholly-owned subsidiary of the Company had completed the disposal of 7,200,000 ordinary shares of US$0.1 in China Merchants China Direct Investments Limited on 8 January 2007 through a securities brokerage firm at HK$22 per share for a total cash consideration of approximately HK$158,400,000. Save as aforesaid, the Group did not acquire or dispose of or propose to acquire or dispose of any assets pertinent to any notifiable transactions (as defined under the Listing Rules) of the Company since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

5. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO, the following entities have interests in the Shares which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Number of Shares held	Percentage of total issued Shares
China Minmetals *(Note)*	416,585,852	53.83%
China Minmetals H.K. (Holdings) Limited *(Note)*	416,585,852	53.83%
June Glory	416,585,852	53.83%

Note: By virtue of the SFO, these companies are deemed to be interested in the 416,585,852 Shares held by June Glory.

Save as disclosed above, there was no person known to the Directors or the chief executive of the Company, other than the Directors or the chief executive of the Company, who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

6. MATERIAL CONTRACTS

The following contract, not being contract entered into in the ordinary course of business, has been entered into by members of the Group within the two years preceding the date of this circular and is material:

– the shareholders' agreement in respect of Oriental Dragon Construction Limited ("ODCL"), an indirect wholly-owned subsidiary of the Company, dated 11 April 2006 entered into amongst Karman Industries Limited ("KIL") and Stillpower Limited (both are indirect wholly-owned subsidiaries of the Company), World Ocean Development Limited ("WODL") and ODCL sets out, among other things, the transfer of a 29% equity interest in ODCL from KIL to WODL at a total consideration of HK$2,900 and how the joint venture company for the property development project of the Group in Nanjing, the PRC, shall be managed and operated.

7. LITIGATION

(a) On 13 March 2003, the Company commenced legal proceedings in Hong Kong (the "Action") against Mr. Yu Lap On Stephen ("Mr. Yu"), Mr. Ng Tze Kwan ("Mr. Ng") and Mr. Cheung Sui Keung ("Mr. Cheung"), as well as companies controlled by them (namely Turner Overseas Limited, Spirit Sunshine Inc. and Silver Lake Asia Corporation respectively) (collectively, the "Defendants"). Mr. Yu, Mr. Ng and Mr. Cheung are directors of Condo Engineering (China) Limited and Condo Curtain Wall Company Limited ("CCW"), both of which are in liquidation. The claims are based on counter-indemnities executed on 23 March 1998, 5, 6 and 11 January 1999 by the Defendants in favour of the Company as referred to in items 1, 2, 3, 4 and 5 in the section headed "Counter-Indemnities" for CCW, Wellstep Management Limited and their respective subsidiaries in the "Letter from the Board" in the circular of the Company dated 10 November 2003 in respect of the liabilities and obligations covered by those counter-indemnities as more particularly described in that section. As at 15 January 2004, the principal amount claimed against each of the Defendants in the Action is approximately HK$16,400,000.

On 8 April 2003 and 16 June 2003, the Company obtained judgment against Mr. Ng and Spirit Sunshine Inc. respectively. The Company also obtained judgment dated 14 January 2004 against Mr. Yu, Mr. Cheung, Turner Overseas Limited and Silver Lake Asia Corporation pursuant to the Company's application for summary judgment. Pursuant to the said judgments, each of the Defendants is required to pay the Company a sum of HK$16,418,527.51 together with accrued interests and costs. The said judgments took effect immediately from their respective dates, and are enforceable by the Company. Mr. Ng was made bankrupt by the High Court of Hong Kong (the "Court") on 20 November 2003. The Company demanded Mr. Yu, Mr. Cheung, Turner Overseas Limited and Silver Lake Asia Corporation to make full payment of the judgment debt on 15 January 2004. Since no payment has been made by them, the Company filed a petition for a bankruptcy order against Mr. Yu on 15 April 2004, which petition was heard by the Court on 9 June 2004. A bankruptcy order was made against Mr. Yu by the Court on 9 June 2004. The Company filed a proof of debt on 12 July 2004 in the bankruptcy of Mr. Yu. The Company also applied for the examination of Mr. Cheung as to his assets, means and liabilities, and an order for examination was made by the Court on 5 May 2004. Meanwhile, Mr. Cheung filed a petition for a bankruptcy order against himself on 30 October 2004 and a bankruptcy order was made against Mr. Cheung by the Court on 30 November 2004. On 7 April 2005, a proof of debt was filed by the Company in the bankruptcy of Mr. Cheung. As at the Latest Practicable Date, no payment has been received from any of the Defendants. Furthermore, no receivables on nor provisions for the claims by the Company under this litigation case have been recorded or made by the Company.

(b) Zhuhai (Oriental) Blue Horrison Properties Company Limited (珠海東方海天置業有限公司) ("ZOBHP"), a wholly-owned subsidiary of the Company, received a writ of summons dated 4 February 2004 (the "Summons") issued by the Intermediate People's Court of the PRC, Zhuhai, Guangdong Province ("PRC Court"). According to the Summons, China Railway Nineteenth Bureau Group Corporation (中鐵十九局集團有限公司) ("China Railway") alleged that ZOBHP was in breach of a construction contract entered into with China Railway in 1999 in relation to The Grand Panorama Project in which China Railway was the main contractor. The aggregate amount claimed by China Railway was approximately RMB23,113,500 (approximately HK$23,806,900) plus further interests, damages and costs.

ZOBHP has made a counter-claim on China Railway in the amount of approximately RMB41,730,000 (approximately HK$42,981,900) for damages in the delay in the progress and the quality of work performed by China Railway and requested that the construction contract entered with China Railway be declared null and void.

On 30 July 2004, the PRC Court ordered that China Railway be evacuated from the construction site of the Project and such evacuation took place on 8 November 2004. In early 2005, the PRC Court notified ZOBHP that all construction work of the Project could resume.

On 15 August 2006, the PRC Court issued a judgement against ZOBHP for an aggregate sum of approximately RMB9,682,672 (approximately HK$9,973,200) and the interest on certain part thereof the ("Judgement"). ZOBHP has lodged an appeal against the Judgement to the Higher People's Court of China in Guangdong Province. The proceedings of the case are ongoing.

Further details of the above-mentioned litigation have been announced by the Company in its announcement dated 13 February 2004 and 8 September 2006.

A provision has been provided for the claims by China Railway against ZOBHP under this litigation case in the consolidated financial statements of the Group as at 31 December 2006.

(c) On 15 June 2004, the Company was informed by Polycrown Engineering Limited ("PEL"), a 51% non wholly-owned subsidiary of the Company, that the board of directors of PEL ("PEL Board") had resolved that PEL be wound up pursuant to section 228A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("CO") because PEL Board considered that PEL could not by reason of its enormous liabilities continue its business. On 12 July 2004, Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton were appointed as the joint and several liquidators of PEL at a creditors' meeting of PEL. The liquidation is on-going.

On 7 July 2004, MLI filed a petition for the winding-up of Polycrown Engineering (Holdings) Limited ("PEHL") to the Court since PEHL had failed to meet a statutory demand in the sum of HK$2,151,000 issued by MLI on 28 May 2004. The Court ordered PEHL to be wound-up under the provisions of the CO on 11 August

2004. On 23 May 2005, Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton were appointed as the joint and several liquidators of PEHL. The liquidation is ongoing.

Further details of the transactions have been announced by the Company in its announcements dated 16 June 2004, 7 July 2004, 11 August 2004 and 7 June 2005 respectively.

On 2 November 2004, the Company filed a petition for a bankruptcy order against Mr. Leung Pok Ching ("Mr. Leung") who was a director of PEL and PEHL and has an attributable interest of 49% in PEHL. A bankruptcy order was made by the Court against Mr. Leung on 5 January 2005.

No receivables on nor provisions for the claims by the Company under this litigation case have been recorded or made by the Company.

(d) ZOBHP has received a writ of summons dated 16 August 2006 issued by the PRC Court. According to the aforesaid summons, 珠海市興遠工貿發展公司 ("興遠工貿") alleged that ZOBHP was in breach of a contract in relation to the handling of the approval documents for import of certain construction equipment and materials into the PRC regarding The Grand Panorama Project. The aggregate amount claimed by 興遠工貿 was approximately RMB2,788,000 (approximately HK$2,871,600) plus interests.

On 2 February 2007, the PRC Court issued a judgement against ZOBHP for an aggregate sum of approximately RMB2,265,250 (approximately HK$2,333,200) and the interests thereof. ZOBHP had lodged an appeal against the aforesaid judgement to the Higher People's Court of China in Guangdong Province. The proceedings of the case are ongoing.

No provisions have been made as at 31 December 2006 for the claims by 興遠工貿 against ZOBHP under this litigation case. The Group may or may not make provisions for such claims in future pending the development of the aforesaid appeal.

8. MATERIAL CHANGES

Other than the matters set out in this circular and as at the Latest Practicable Date the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

9. EXPERTS

(a) The following are the qualifications of the experts who have given their opinions or advices which are contained in this circular:

Name	Qualifications
Access Capital	a licensed corporation to carry out Types 1, 4, 6 and 9 regulated activities under the SFO
King & Wood	PRC lawyers
PricewaterhouseCoopers	Certified Public Accountants
RHL	independent property valuers

(b) As at the Latest Practicable Date, Access Capital, King & Wood, PricewaterhouseCoopers and RHL do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, Access Capital, King & Wood, PricewaterhouseCoopers and RHL have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and references to its name in the form and context in which they are included.

(d) As at the Latest Practicable Date, Access Capital, King & Wood, PricewaterhouseCoopers and RHL do not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, nor which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

10. MISCELLANEOUS

(a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business in Hong Kong is at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

(b) The secretary of the Company is Ms. Chung Wing Yee. Ms. Chung is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(c) The qualified accountant of the Company is Ms. Yuen Wai Man. Ms. Yuen is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, except public holidays, up to and including 19 July 2007:–

(a) the Capital Expansion Agreement;

(b) the JV Agreement;

(c) the memorandum of association and bye-laws of the Company;

(d) the material contract referred to in the paragraph headed "Material Contracts" in this appendix;

(e) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

(f) the letter from Access Capital, the text of which is set out in the section headed "Letter from Access Capital" of this circular;

(g) the accountants' report on JH, the text of which is set out in Appendix I to this circular;

(h) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(i) the valuation report of the Land prepared by RHL, the text of which is set out in Appendix IV to this circular;

(j) the legal opinion (in Chinese) dated 5 July 2007 prepared by King & Wood in respect of the Land referred to in the valuation report of the Land set out in Appendix IV to this circular;

(k) the written consents referred to in paragraph 9 in this appendix;

(l) each of the circulars of the Company issued since 1 January 2007, being the circular of the Company dated 21 February 2007 regarding the major transaction in relation to the disposal of an investment and the circular of the Company dated 25 April 2007 regarding proposals for the granting of general mandates to issue new shares and to repurchase shares, re-election of director, change of Company name, amendments to the Bye-laws and amendments to the share option scheme; and

(m) the annual reports of the Company for the two financial years ended 31 December 2005 and 31 December 2006 respectively.

五礦建設有限公司*
MINMETALS LAND LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 230)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Minmetals Land Limited (the "Company") will be held at Garden Rooms, 2/F., The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 20 July 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:–

ORDINARY RESOLUTION

"THAT

(a) the Capital Expansion Agreement (as defined and described in the circular to the shareholders of the Company dated 5 July 2007 and a copy of which has been produced to this meeting marked "A" and signed by the Chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the JV Agreement (as defined and described in the circular to the shareholders of the Company dated 5 July 2007 and a copy of which has been produced to this meeting marked "B" and signed by the Chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(c) any one of the directors of the Company be and is hereby authorised to do all such further acts and things and execute such further documents and take all steps which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the Capital Expansion Agreement and the JV Agreement for the establishment of JVCo (as defined and described in the circular to the shareholders of the Company dated 5 July 2007) with any changes as such director may consider necessary, desirable or expedient."

By Order of the Board of
Minmetals Land Limited
Wang Xingdong
Managing Director

Hong Kong, 5 July 2007

* *For identification purpose only*

Notes:

1. A member entitled to attend and vote at the abovementioned meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting or any adjournment thereof should they so wish.

3. The votes at the abovementioned meeting will be taken by poll.