THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

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

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

五礦建設有限公司*

MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Financial Advisor to Minmetals Land Limited

Deutsche Bank

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of Minmetals Land Limited

Access Capital

A letter from the Independent Board Committee is set out on pages 18 to 19 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 20 to 32 of this circular.

A notice convening the SGM to be held at Garden Rooms, 2nd Floor, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 16 July 2008 at 11:00 a.m. is set out on pages 136 to 137 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*

26 June 2008

CONTENTS

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

"Access Capital" or "Independent Financial Advisor"	Access Capital Limited, a licensed corporation under the SFO to conduct regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management), being the independent financial adviser to the Independent Board Committee in relation to the Acquisition;
"Acquisition"	the acquisition of the entire issued share capital of Target and the benefits in the entire shareholder's loan and account payable owing by Target to the Vendor which amounted to approximately HK$343,428,032 pursuant to the Acquisition Agreement;
"Acquisition Agreement"	the conditional sale and purchase agreement dated 5 June 2008 entered into between MLI (as purchaser), the Vendor (as seller) and Minmetals HK (as seller's guarantor and warrantor) relating to the Acquisition;
"Announcement"	the announcement made by the Company in connection with the Acquisition on 5 June 2008;
"Annual Cap"	the cap amount on Non-exempt Continuing Connected Transactions set out in the section headed "Relationship with China Minmetals and Continuing Connected Transactions" in this circular;
"Appraised Value"	the appraised value of the Property by Knight Frank as at the Valuation Reference Date;
"Associates"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors (including executive Directors, non-executive Director and independent non-executive Directors);
"China Minmetals"	China Minmetals Corporation, formerly known as China National Metals and Minerals Import and Export Corporation, a State-owned enterprise incorporated on 7 April 1950 under the laws of the PRC and the ultimate Controlling Shareholder of the Company;
"China Minmetals Group"	China Minmetals and its subsidiaries excluding the Group and Target;

"Company"	Minmetals Land Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Acquisition Agreement;
"Conditions"	conditions precedent to Completion as set out in the Acquisition Agreement and summarised in the section headed "Conditions" in this circular;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration Shares"	the new Shares to be allotted and issued, at the direction of the Vendor, to June Glory in connection with the Acquisition;
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules;
"Directors"	directors (including independent non-executive directors) of the Company;
"Enlarged Group"	the Group following completion of the Acquisition;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent committee of the Board comprising Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria, who are independent non-executive Directors and appointed to advise the Independent Shareholders in respect of the Acquisition;
"Independent Shareholders"	Shareholders other than June Glory and its Associates;
"June Glory"	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of China Minmetals;
"Knight Frank"	Knight Frank Petty Limited, independent property valuers;

"Latest Practicable Date"	24 June 2008, 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;
"Minmetals HK"	China Minmetals H.K. (Holdings) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Minmetals;
"MLI"	Minmetals Land Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
"Non-exempt Continuing Connected Transactions"	the transactions set out in the section headed "Relationship with China Minmetals and Continuing Connected Transactions" in this circular;
"PRC" or "China"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
"Property"	China Minmetals Tower, situated at No. 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be held at Garden Rooms, 2nd Floor, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 16 July 2008 at 11:00 a.m. to consider and approve, among other things, the Acquisition, the notice of which is set out on pages 136 to 137 of this circular;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Target"	Texion Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor;
"Valuation Reference Date"	31 March 2008;
"Vendor"	Cheemimet Finance Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Minmetals HK and a wholly-owned subsidiary of China Minmetals, which is principally engaged in property investment; and
"%"	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. HE Jianbo, *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

26 June 2008

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 5 June 2008, MLI, a wholly-owned subsidiary of the Company (as purchaser), has entered into the Acquisition Agreement with the Vendor (as seller) and Minmetals HK (as seller's guarantor and warrantor) for the acquisition of the entire issued share capital of Target and the benefits in the entire shareholder's loan and amounts due owing by Target to the Vendor in the amount of approximately HK$343,428,032. Target is principally engaged in property investment and is the sole owner of the Property.

* *For identification purpose only*

Immediately following Completion, Target will continue to lease various units of the Property to members of China Minmetals Group. The transactions will constitute Non-exempt Continuing Connected Transactions of the Enlarged Group (please refer to the section headed "Relationship with China Minmetals and Continuing Connected Transactions" below for further details about the Non-exempt Continuing Connected Transactions of the Enlarged Group).

The purpose of this circular is to provide you with, among other things, further particulars of (i) the Acquisition; (ii) the recommendation of the Independent Board Committee and the advice of Access Capital, the Independent Financial Advisor; (iii) the valuation report of the Property and (iv) the SGM.

A. THE ACQUISITION AGREEMENT DATED 5 JUNE 2008

Parties:

1. MLI, as purchaser;

2. the Vendor, as seller; and

3. Minmetals HK, as the seller's guarantor and warrantor.

Assets involved:

The entire issued share capital of Target and the benefits in the entire shareholder's loan and the amounts due owing by Target to the Vendor which amounted to approximately HK$343,428,032 as at the Latest Practicable Date. The shareholder's loan and account payable are due on an unsecured basis and was subject to interest at the rate of 5.46% per annum for the period from 1 January 2008 to 31 May 2008 and is interest free thereafter. Target is principally engaged in property investment and is the sole owner of the Property (please refer to the section headed "Particulars of the Group, Target and the Property" below for further details about Target and the Property). Upon Completion, Target will become a wholly-owned subsidiary of the Company.

Consideration:

The consideration for the Acquisition of HK$537,200,000 will be satisfied in full by the allotment and issue of 340,000,000 Consideration Shares to June Glory at the direction of the Vendor at HK$1.58 per Consideration Share. The Consideration Shares shall be issued as fully paid and shall rank the same in all respects with the Shares in issue at the date of Completion.

June Glory is an indirect wholly-owned subsidiary of China Minmetals, the ultimate Controlling Shareholder of the Company with an indirect holding (held through June Glory) of approximately 53.83% of the issued share capital of the Company as at the Latest Practicable Date. The Consideration Shares represent approximately 43.94% of the existing issued share capital of the Company as at the

Latest Practicable Date and approximately 30.53% of the enlarged issued share capital of the Company immediately after Completion (assuming that there will be no change in the Company's issued share capital from the Latest Practicable Date to Completion save for the issue of the Consideration Shares). Immediately following Completion, China Minmetals, will, through June Glory, hold approximately 67.93% of the issued share capital of the Company. Incidental to the Acquisition, the Vendor will subscribe new shares representing 29.00% of the issued share capital of June Glory as enlarged by the new issue. As the Vendor is an indirect wholly-owned subsidiary of China Minmetals, China Minmetals' control over June Glory and the Company will remain unchanged after Completion.

The consideration for the Acquisition has been arrived at after arms' length negotiations among the parties and with reference to various factors including, but not limited to, the net asset value of Target as at 2 June 2008 based on the management accounts of Target and taking into account the Appraised Value of the Property by Knight Frank as at the Valuation Reference Date of HK$655,000,000. The reconciliation between the Property's carrying amount as at 31 December 2007 and the Appraised Value is as follows:

	Buildings, leasehold land and investment properties *HK$*
Carrying amount as at 31 December 2007	654,763,788
Amortisation and depreciation	(39,916)
Net book value as at 31 March 2008	654,723,872
Valuation surplus	276,128
Appraised Value as at 31 March 2008	655,000,000

The consideration for the Acquisition represents 6.64 times the audited net profit of Target before tax of approximately HK$80,856,012 for the year ended 31 December 2007 (after adjusting for the profit attributable to activities conducted by Target other than in relation to the Property). The Appraised Value represents a premium of HK$236,212 over the book value of the Property of approximately HK$654,763,788 as at 31 December 2007, and a premium of HK$170,000,000 over the development cost of the Property which was HK$485,000,000. The issue price of HK$1.58 per

Consideration Share, which is the same as the closing price per Share of HK$1.58 as quoted on the Stock Exchange on 5 June 2008, being the date of the Acquisition Agreement, represents:

(a) a premium of approximately 0.64% over the ten-day average closing price per Share of HK$1.57 as quoted on the Stock Exchange for the period from 23 May 2008 to 5 June 2008;

(b) a discount of approximately 3.07% to the one-month average closing price per Share of HK$1.63 as quoted on the Stock Exchange for the period from 5 May 2008 to 5 June 2008;

(c) a discount of approximately 3.66% to the three-month average closing price per Share of HK$1.64 as quoted on the Stock Exchange for the period from 5 March 2008 to 5 June 2008; and

(d) a premium of approximately 13.67% over the net asset value of approximately HK$1.39 per Share based on the audited net asset value of the Company of approximately HK$1,073,336,000 and 773,831,783 Shares in issue as per annual report of the Company for the year ended 31 December 2007.

Conditions:

Completion is conditional upon the fulfillment of, among other things, the following Conditions on or before 31 August 2008, or such later date as may be agreed among the parties to the Acquisition Agreement:

(a) all governmental and regulatory approvals and permissions required in the PRC or elsewhere to give effect to the transactions contemplated under the Acquisition Agreement having been obtained;

(b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;

(c) the Independent Shareholders approving the Acquisition Agreement and the transactions contemplated thereunder including without limitation the allotment and issue of the Consideration Shares; and

(d) the result of the due diligence exercise carried out by the Company on the assets, liabilities, business and prospects of Target being satisfactory to the Company and the Company being satisfied that the warranties given by the Vendor in the Acquisition Agreement are complete, accurate and true.

Completion:

The Acquisition shall be completed within three (3) business days after all the Conditions have been fulfilled. If the Conditions are not fulfilled on or before 31 August 2008 or such later date as may be agreed among the parties to the Acquisition

Agreement, the Acquisition will lapse and the parties to the Acquisition Agreement shall be released from all their obligations thereunder without liability (without prejudice to the rights of any such parties in respect of antecedent breaches).

B. PARTICULARS OF THE GROUP, TARGET AND THE PROPERTY

The Group

The Company was incorporated in Bermuda and its Shares have been listed on the Main Board of the Stock Exchange since 20 December 1991. The Group is principally engaged in real estate development and project management, specialised construction, property leasing, manufacturing and trading, and securities investment and trading businesses. For the year ended 31 December 2007, the Group's real estate development and specialised construction operations accounted for about 0.54% and 80.23% of its turnover respectively.

Target

Target is principally engaged in property investment and is the sole owner of the Property. Based on the audited financial statements of Target for the three years ended 31 December 2007: (i) the audited profits before income tax of Target for the three years ended 31 December 2005, 31 December 2006 and 31 December 2007 were approximately HK$70,838,390, HK$116,023,165 and HK$94,682,777 respectively; (ii) the audited net profits of Target for the corresponding years were approximately HK$68,552,634, HK$113,111,093 and HK$92,478,291 respectively; and (iii) the audited net asset value of Target was approximately HK$323,016,746 as at 31 December 2007. Prior to the date of the Announcement, Target has also conducted trading and investment in listed equity securities in Hong Kong and in the PRC. In order to focus its resources to develop property investment operations, Target is, as at the date of the Announcement, engaged solely in property investment and is not engaged in other activities unrelated to the Property. Profits attributable to these operations account for approximately 5.09%, 1.47% and 12.28% of Target's operating profit for the three years ended 31 December 2005, 31 December 2006 and 31 December 2007 respectively.

The Property

The Property is situated at No. 79 Chatham Road South, in the heart of Tsimshatsui, a major commercial district of Kowloon and a hub for Hong Kong's major transportation networks. The Property was completed in August 1991 and comprises 14 floors of office space with a total gross floor area of approximately 81,102 square feet, and 6 floors, namely basement, ground floor, upper ground floor, first floor, second floor and third floor, of retail space used as shops, lounge and restaurant with a total gross floor area of approximately 35,022 square feet. According to the information provided by the Vendor, the Property enjoyed a 85.62% occupancy rate as at 31 March 2008 (i.e. the Valuation Reference Date). Two floors of the Property (namely the seventeenth floor and eighteenth floor) are occupied by the Group, two units in the basement are occupied by Target and four floors and three extra units are leased to other members of China Minmetals Group (please refer to the section headed "Relationship with China Minmetals and Continuing Connected Transactions" below for details). The lease term regarding the said three extra units have expired and they are currently vacant. The table below sets out certain key information on the Property as at 31 March 2008 (i.e. the Valuation Reference Date):

Overall	
Average Rent (HK$/square foot/month)	15.91
Occupancy (%)	85.62
Average lease expiry (years)	0.97
Office	
Average Rent (HK$/square foot/month)	17.75
Occupancy (%)	95.23
Retail	
Average Rent (HK$/square foot/month)	11.45
Occupancy (%)	63.37

C. REASONS FOR AND BENEFITS OF THE ACQUISITION

On 6 July 2007, the China State-owned Assets Supervision and Administration Commission of the State Council approved the inclusion of real estate development and operation as one of the core businesses of China Minmetals Group. China Minmetals has indicated to the Board that it intended to consolidate its real estate resources to develop its real estate business to achieve full synchronization of real estate business and capital market, to turn the Company into its sole listed real estate development flagship, and eventually develop the Company to become a leading and competitive PRC real estate development and specialised construction corporation. China Minmetals Group has also indicated to the Board that it intended to, in compliance with the Listing Rules requirements and relevant formalities, gradually re-organise its real estate-related assets and businesses in the PRC for injection into the Company at an appropriate time, such that the Company may flourish in its business and results and bring about good returns to the Shareholders.

The injection of Target into the Company is a key strategic move in asset injection to the overall reorganisation of China Minmetals' real estate business. Such act will expand the real estate portfolio of the Company and enhance the stability of its operating earnings. It is the intention of the Company to make real estate investment as one of the three core businesses of the Company alongside real estate development and specialised construction businesses.

The Directors believe that the Acquisition will bring various commercial benefits to the Company and is in conformity with the aligned interests of the Company and the Shareholders as a whole.

- **Transform the Company into a fully integrated real estate development corporation**

  Currently, the Company is engaged in real estate development and specialised construction in the PRC market. The Acquisition will strengthen the Group's real estate investment assets in Hong Kong and help the Group to transform into a fully integrated real estate corporation with a balanced business mix covering development, construction and property investment. As at 31 December 2007, the Group had total assets of approximately HK$2,760,766,000 including an investment property of approximately HK$341,249,000. The Acquisition will significantly increase the Group's investment properties holding to approximately HK$801,009,000 and will lead to a 22.03% increase in total assets of the Group.

- **Enhance earnings stability and visibility while mitigating risks**

  The expanded investment property portfolio strengthens the Company's earnings base in rental income and potential capital gains. As a result, the Acquisition will enhance the Company's earnings' stability, visibility and sustainability, mitigating the regulatory impact on its overall business and sheltering the Company through the cyclicality of the industry. Based on the market condition and the historical leasing performance of the Property, the Directors expect the Acquisition to make immediate contribution to the earnings of the Company.

- **Expand future funding capacity and thus improve the Company's growth prospect**

  On a pro forma basis, the Company's equity base will increase from HK$1,073,336,000 to HK$1,610,536,000, which will offer the Company a greater financial flexibility and thus enhance its capacity to fund future development and expansion.

- **Strong leasing demand and price appreciation potential**

  There is strong economic fundamentals and vibrant consumer confidence for the Hong Kong property market to continue to enjoy substantial growth potential. The Acquisition enhances the Company's presence to participate in the future growth of the Hong Kong property market and to enhance the Shareholders' return as a whole.

D. EFFECTS OF THE ACQUISITION ON THE COMPANY

Ownership

China Minmetals currently has, by virtue of its interest in June Glory and in the Vendor, an interest in a total of approximately 53.83% of the issued share capital of the Company as at the Latest Practicable Date. June Glory does not have any Associates which has any shareholding in the Company. On the basis that the Consideration Shares will be issued to June Glory, at the direction of the Vendor, China Minmetals will have an interest in approximately 67.93% of the enlarged issued share capital of the Company immediately after Completion (assuming that there will be no change in the Company's issued share capital from the Latest Practicable Date to Completion save for the issue of the Consideration Shares). The shareholding structure of the Company before and after Completion is set out below:

	No. of Shares held as at the Latest Practicable Date	Approximate percentage of total issued Shares	No. of Shares held immediately after Completion *(Note 1)*	Approximate percentage of total issued Shares
June Glory *(Note 2)*	416,585,852	53.83%	756,585,852	67.93%
Public Shareholders:				
Albertson Capital Limited *(Note 3)*	40,848,000	5.28%	40,848,000	3.67%
Montpelier Asset Management Limited *(Note 4)*	39,728,000	5.13%	39,728,000	3.57%
Other Shareholders	276,669,931	35.76%	276,669,931	24.83%
Sub-total of public interest	357,245,931	46.17%	357,245,931	32.07%
Total	773,831,783	100.00%	1,113,831,783	100.00%

Notes:

1. Assuming there is no change in the issued share capital of the Company other than the issue of the Consideration Shares.

2. June Glory is a direct wholly-owned subsidiary of Minmetals HK as at the Latest Practicable Date. Immediately following Completion, June Glory will remain wholly owned by China Minmetals but will be held as to 71.00% by Minmetals HK and 29.00% by the Vendor.

3. According to the register of interest kept by the Company under section 336 of the SFO, Albertson Capital Limited holds 40,848,000 Shares as at 16 August 2007 when it last disclosed its change of interest in the Company.

4. According to the register of interest kept by the Company under section 336 of the SFO, Montpelier Asset Management Limited holds 39,728,000 Shares as at 3 April 2008 when it last disclosed its change of interest in the Company.

Consolidated net tangible assets value

Following Completion, Target will become a wholly-owned subsidiary of the Company and its financials will be consolidated into the financial statements of the Enlarged Group.

Earnings

Accordingly, turnover of the Group will be increased by the amount of rental income collected by the Target. The consolidated net profit attributable to the equity holders of the Group will be increased due to higher turnover and Target's revaluation gain on investment properties.

Assets and liabilities

The total assets of the Group will be increased by approximately HK$608,061,000 as a result of the Acquisition. Majority of the increase, approximately HK$525,519,000, came from the value of the Property.

On the other hand, the total liabilities of the Group will be increased by approximately HK$70,861,000, mainly due to the amount due to immediate holding company of approximately HK$58,588,000.

E. RELATIONSHIP WITH CHINA MINMETALS AND CONTINUING CONNECTED TRANSACTIONS

Target has entered into the following tenancy agreements with members of China Minmetals Group in relation to the Property:

(1)	Tenant	:	Eastern Master (HK) Limited, an indirect 65.54% owned subsidiary of China Minmetals, which is principally engaged in investment holding business
	Premises	:	the whole of the ninth floor (9/F)
	Date of Tenancy Agreement	:	20 February 2008
	Term	:	two (2) years ending 31 December 2009
	Rent	:	HK$133,239 (per calendar month) exclusive of rates, service, management and air-conditioning charges
	Charges	:	HK$24,331 (per calendar month) for sharing of third parties' service, management and air-conditioning charges
(2)	Tenant	:	Cheerglory Traders Limited, an indirect wholly-owned subsidiary of China Minmetals, which is principally engaged in trading of metallic product, investment holding and property investment business
	Premises	:	the whole of the eleventh floor (11/F)

	Date of Tenancy Agreement	:	13 December 2007
	Term	:	two (2) years ending 31 December 2009 with an option for Cheerglory Traders Limited to renew for a further term of one (1) year at open market rent of the premises exclusive of rates, service, management and air-conditioning charges but otherwise subject to the same terms
	Rent	:	HK$133,239 (per calendar month) exclusive of rates, service, management and air-conditioning charges
	Charges	:	HK$24,331 (per calendar month) for sharing of third parties' service, management and air-conditioning charges
(3)	Tenant	:	the Vendor, an indirect wholly-owned subsidiary of China Minmetals, which is principally engaged in investment holding and property investment business
	Premises	:	the whole of the sixteenth floor (16/F)
	Date of Tenancy Agreement	:	4 July 2007
	Term	:	three (3) years ending 15 May 2010
	Rent	:	HK$133,240 (per calendar month) exclusive of rates, service, management and air-conditioning charges
	Charges	:	HK$24,331 (per calendar month) for sharing of third parties' service, management and air-conditioning charges
(4)	Tenant	:	Minmetals HK, a direct wholly-owned subsidiary of China Minmetals, which is principally engaged in investment holding and corporate management services business
	Premises	:	the whole of the nineteenth floor (19/F)
	Date of Tenancy Agreement	:	4 July 2007
	Term	:	three (3) years ending 31 May 2010

Rent	:	(a) HK$103,685 (per calendar month) exclusive of rates, service, management and air-conditioning charges for the period from 1 June 2007 to 31 December 2007
		(b) HK$133,240 (per calendar month) exclusive of rates, service, management and air-conditioning charges for the period from 1 January 2008 to 31 May 2010
Charges	:	HK$18,934 (per calendar month) for sharing of third parties' service, management and air-conditioning charges

Knight Frank have confirmed that, in view of the prevailing market conditions and the rental level of similar properties at the vicinity, the rentals payable under the above leases are fair and reasonable. The Board also considers the Non-exempt Continuing Connected Transactions to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Following Completion, the above leases will constitute continuing connected transactions of the Enlarged Group. Pursuant to the existing rentals under the above leases, the maximum rents payable by the above members of China Minmetals Group for each of the three financial years ending 31 December 2010 shall not exceed the Annual Cap of HK$6,400,000 (based on the annual rental income of the tenancy agreements listed out in the above paragraphs), representing approximately 1.48% of the Group's turnover. The Annual Cap does not include the management charges, air-conditioning charges and third parties' service charges as stated above since they are payable to independent third parties. As the relevant size tests ratios in aggregate are less than 2.50%, the Non-exempt Continuing Connected Transactions are subject to reporting and announcement requirements and are exempt from Independent Shareholders' approval requirement under rule 14A.34 of the Listing Rules.

F. RELEVANT LISTING RULES REQUIREMENTS

As mentioned above, the Vendor is a wholly-owned subsidiary of China Minmetals and therefore a connected person of the Company. Accordingly, the Acquisition constitutes a major and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and is subject to reporting and announcement requirements, and approval of the Independent Shareholders at the SGM.

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

G. 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 Acquisition is put to the vote at the SGM.

H. SGM

A notice of the SGM to be held at Garden Rooms, 2nd Floor, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 16 July 2008 at 11:00 a.m. is set out on pages 136 to 137 of this circular. At the SGM, an ordinary resolution will be proposed and, if thought fit, passed to approve the Acquisition.

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, voting at the SGM will be conducted by poll. June Glory, the Controlling Shareholder holding approximately 53.83% of the issued share capital of the Company as at the Latest Practicable Date, and its Associates will abstain from voting at the SGM. An announcement on the poll voting results of the SGM will be published on the websites of the Company and of the Stock Exchange following the SGM.

I. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee which is set out on pages 18 to 19 of this circular containing the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Acquisition; and (ii) the letter from Access Capital which is set out on pages 20 to 32 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition.

The Directors are of the view that the terms of the Acquisition 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 Acquisition.

J. ADDITIONAL INFORMATION

Your attention is also drawn to the accountant's report on Target, financial information on the Group, financial information on the Enlarged Group, valuation report of the Property, and general information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Minmetals Land Limited
He Jianbo
Managing Director

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

26 June 2008

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 26 June 2008 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 advise the Independent Shareholders as to whether, in our opinion, the Acquisition and the terms of the Acquisition Agreement 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 Acquisition.

We wish to draw your attention to the letter from the Board set out on pages 5 to 17 of the Circular which contains, *inter alia*, information about the Acquisition, and the letter of advice from Access Capital set out on pages 20 to 32 of the Circular which contains its advice in respect of the Acquisition.

Having considered the reasons for and the benefits of the Acquisition and considering the principal factors and reasons taken into account by Access Capital in arriving at its opinion regarding the Acquisition set out in the letter from Access Capital on pages 20 to 32 of the Circular, we consider that the Acquisition is in the usual and ordinary course of business of the Group and the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a

* *For identification purpose only*

whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM in respect of the Acquisition.

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

26 June 2008

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

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 Acquisition. Details of the Acquisition are set out in the "Letter from the Board" contained in the circular dated 26 June 2008 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.

On 5 June 2008, MLI, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor (as seller) and Minmetals HK (as seller's guarantor and warrantor) for the acquisition of the entire issued share capital of Target and the benefits in the entire shareholder's loan and amounts due owing by Target to the Vendor in the amount of approximately HK$343,428,032.

The Vendor is a wholly-owned subsidiary of Minmetals HK, which in turn is a wholly-owned subsidiary of China Minmetals. China Minmetals, the ultimate Controlling Shareholder of the Company, through June Glory, indirectly holds 416,585,852 Shares representing approximately 53.83% of the issued share capital of the Company as at the Latest Practicable Date is therefore a connected person of the Company. The Acquisition constitutes a major and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and is subject to the reporting and announcement requirements, and approval of the Independent Shareholders at the SGM. Voting will be conducted by poll and June Glory and its Associates will abstain from voting at the SGM.

Upon Completion, Target will continue to lease various units of the Property to members of China Minmetals Group. These transactions will constitute Non-exempt Continuing Connected Transactions of the Enlarged Group, details of which are set out in the paragraph headed "Relationship with China Minmetals and Continuing Connected Transactions" in the "Letter from the Board" in the Circular. As the relevant size tests ratios are less than 2.50%, the Non-exempt Continuing Connected Transactions are subject to reporting and announcement requirements and are exempt from Independent Shareholders' approval under rule 14A.34 of the Listing Rules.

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. He Jianbo, 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 Acquisition is entered into on normal commercial terms and is in the interests of the Company and the Shareholders as a whole and whether the terms of the Acquisition 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 Acquisition for their consideration when making their 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 Acquisition, 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 the operating results of the Group for the two years ended 31 December 2007 as extracted from the Company's annual report 2007:

	(Audited) For the year ended 31 December	
	2007	**2006**
	HK$'000	*HK$'000*
Revenue		
– Real estate development and project management	2,311	11,283
– Specialised construction	345,961	206,727
– Property leasing	17,042	14,249
– Manufacturing and trading	65,892	64,931
– Securities investment and trading	–	5,895
Total	431,206	303,085
Profit for the year	159,498	105,845

For the year ended 31 December 2007, the Group recorded an audited revenue and profit for the year of approximately HK$431.21 million and HK$159.50 million respectively representing an increase of approximately 42.27% and 50.69% respectively over that of previous year. The increase in revenue was mainly attributed to the growth in specialised construction whereas the increase in profit was due to gain on disposal of available-for-sale financial assets of approximately HK$140.91 million as announced by the Company on 9 January 2007. Interest income from bank deposits increased to approximately HK$8.65 million (2006: approximately HK$1.56 million) on cash received from the pre-sale of units of The Grand Panorama Project in Zhuhai, the PRC.

Real estate development and project management

During 2007, the Group's real estate development portfolio consisted of three projects in the PRC, namely, The Grand Panorama Project in Zhuhai, Guangdong, the Laguna Bay Project in Jiangning District, Nanjing and the project in Changsha, Hunan Province, the PRC. The first two projects which are in the pre-sale stages were booked as property under development and no revenue was recognized. This coupled with the completion of the Group's sole project management service contract on hand in 2007 explained the minimal revenue on the Group's real estate development and project management in 2007. According to the Board, all the residential units, 51% of the commercial space and 76% of the car parking space of the Grand Panorama Project were pre-sold during 2007. This contributed approximately HK$772.90 million cash to the Group during the year. After handover of these pre-sold units in the second half of 2008, operating results will start to be reflected in the Group's financial statements for the year ending 31 December 2008. Pre-sale of part of the Group's Laguna Bay Project in Nanjing, the PRC had commenced in October 2007. According to the Board, approximately 73% of the 290 residential units available for pre-sale had been contracted to be sold as at 31 December 2007. On the other hand, the project in Changsha is in the early stage of construction. According to the Board, construction works on this project had not been affected by the blizzard in the Hunan Province in early 2008.

Property leasing

Apart from the property development projects in the PRC as mentioned above, the Group also holds leasehold properties in Hong Kong (both office building and residential premises) with a revalued amount of approximately HK$341.25 million as at 31 December 2007. Segment results on property leasing amounted to approximately HK$64.84 million (including a revaluation gain of approximately HK$50.48 million) accounting for approximately 37.13% of the total segment results of the Group for 2007 (2006: approximately HK$63.89 million (including a revaluation gain of HK$52.67 million) and approximately 57.15% of total segment results of the Group respectively).

Specialised construction

Whilst the Group's increase in consolidated revenue was mainly attributed by its specialised construction business which had an increase in revenue of approximately 67.35%, this line of business recorded a segment loss of approximately HK$18.12 million (2006: loss of approximately HK$3.43 million). According to the Board, the business environment of the curtain wall industry in the PRC remained tough and increasingly competitive. Also, the fire-proofing and plaster business in 2007 was not satisfactory and has caused the Group's specialised construction business segment to continue to suffer an operating loss. The Group has rationalized this line of business and has been reallocating resources to the curtain wall business.

Business strategies of the Group

According to the Company's annual report 2007, the Board stated that their objectives are to continue to grow their real estate development business in the PRC by completing the Group's existing projects, whilst seeking to expand the Group's land bank prudently in view of prevailing market conditions so as to support the future growth of the Group. We have noted the recent macro-economic measures adopted by the PRC government in order to cool down the PRC property market. We concur with the Board's view that these measures allow a consolidation for 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 stated in the Letter of the Board, the Company's ultimate Controlling Shareholder, China Minmetals has been setting strategies and directions for the Group's development. 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. The Board advised that on 6 July 2007, the China State-owned Assets Supervision and Administration Commission of the State Council approved the inclusion of real estate development and operation as one of the core businesses of China Minmetals Group. China Minmetals has indicated to the Board that it intended to consolidate its real estate resources and turn the Company into its sole listed real estate development flagship. China Minmetals Group has also indicated to the Board that it intended to, in compliance with the Listing Rules requirements and relevant formalities, gradually re-organise its real estate-related assets and businesses in the PRC for injection into the Company at an appropriate time. The Board considers that these developments provides the Company with the opportunity and the prospect to grow its real estates business with the full support of China Minmetals, thus potentially allowing the Group to achieving a high growth in this core business segment of the Company.

In this connection, the Company has been collaborating with China Minmetals in order to leverage on its strong financial base and extensive business connections. As published in the Company's circulars dated 5 July 2007 and 21 August 2007 respectively, the Company had formed a joint venture with subsidiaries of China Minmetals for the property development in Changsha, Hunan Province, the PRC and had appointed a subsidiary of China Minmetals as the main contractor for the construction of the Group's property development project, namely phase I of the Laguna Bay in Nanjing, the PRC.

The Board considers that the injection of Target into the Company is an important first step in the above-mentioned strategy of China Minmetals to position the Company as the flagship of the China Minmetals Group's real estate business, and will significantly expand the real estate portfolio of the Company as well as enhance the stability of its operating earnings. The Board believes that the Acquisition represents an important milestone in this business direction which aligns with the stated objective and strategy of the Group to expand its real estate businesses.

The Property, regarded as Grade B office building is situated in the heart of Tsimshatsui, a major commercial district in Kowloon with public transportation networks. According to the Hong Kong Property Review 2008 published by the Rating and Valuation Department ("RV Department"), office prices showed substantial growth in the last quarter of 2007. Grade B and Grade C offices (as defined by the RV Department) both recorded price increases of approximately 32.0% over those of the same period in 2006. On the other hand, office rents of Grade B and Grade C offices increased by 15.90% and 11.90% respectively over those of the same period in 2006.

Given the facts that (a) the Acquisition will expand the Group's portfolio of commercial properties in Hong Kong and is consistent with the Group's stated business strategy to focus on real estate investment and development as a core business activity; (b) the underlying assets of Target which are commercial premises located at prime locations will provide the Group with steady income; and (c) the positive outlook of the Hong Kong market of office properties, we are of the view that the Acquisition is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Acquisition Agreement

3.1 Assets to be acquired

Pursuant to the Acquisition Agreement, MLI will acquire the entire issued share capital of Target and the benefits in the entire shareholder's loan and the amounts due owing by the Target to the Vendor amounted to approximately HK$343,428,032 ("Loan") as at 5 June 2008 ("Acquisition Date"). The Loan is on an unsecured basis and was subject to interest at the rate of 5.46% per annum for the period from 1 January 2008 to 31 May 2008 and is interest free thereafter.

The Target is principally engaged in property investment and owns the Property. According to the audited financial statements of Target as at 31 December 2007, Target holds the Property situated at No.79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong. Set out below is the financial highlights of the Target for the three years ended 31 December 2007 as extracted from the "Accountant's Report on Target" set out in Appendix I to the Circular for the respective years:

	(Audited) As at 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	737,306	590,011	513,972
Total liabilities	414,290	359,472	396,544
Net assets	323,016	230,539	117,428
Revenue	34,015	21,045	20,198
Profit for the year	92,478	113,111	68,553

According to the audited financial statements of the Target for the three years ended 31 December 2007, the principal assets of the Target was the Property which was stated at the revalued amount on the basis of its open market value by an independent professional firm of chartered surveyors. As at 31 December 2007, the Property with a carrying amount of HK$654.76 million was pledged as securities for certain bank borrowings of an intermediate holding company. According to the Acquisition Agreement, the Vendor undertakes to procure the full release and discharge of the mortgage on the Property on or before Completion. The Target was also financed by an amount due to immediate holding company with an outstanding balance of approximately HK$402.02 million as at 31 December 2007. Subsequent to the year end, part of the outstanding balance was settled and was reduced to approximately HK$343.43 million as at 2 June 2008.

The Target's audited turnover and segment results for the year ended 31 December 2007 are set out as below:

	(Audited)	
	Revenue	**Segment results**
	HK$'000	*HK$'000*
Property investment		
– rental income	20,188	98,815*
Securities investment and trading		
– gain on financial assets including dividend income	13,827	13,827
Total	34,015	112,642

* Including a revaluation gain of HK$80.60 million

3.2 Consideration

The consideration for the Acquisition is HK$537.20 million (the "Consideration"). As stated in the "Letter from the Board" in the Circular, the Consideration has been arrived at after arms' length negotiations among the parties and with reference to various factors including, but not limited to, the net asset value of Target as at 2 June 2008 based on the management accounts of the Target and taking into account the Appraised Value of the Property by Knight Frank as at the Valuation Reference Date of HK$655.00 million.

The net asset value approach and price-to-earnings ("PE") approach are common methods used for valuing an entity. As the Target's principal assets comprises the Property for self-occupied and investment purpose and in order not to be confused with the results of the non-property activities of the Target in the past, we consider that it will be inappropriate to use the PE approach and concur with the Board that the appropriate and relevant benchmark should be the net asset value approach for assessing the fairness and reasonableness of the Consideration.

Based on the management accounts of the Target as at 2 June 2008,

	(Unaudited) *HK$'000*
Net asset value (incorporating the Property at its reappraised value at HK$655.00 million)	311,572
Loan	343,428
Total (A)	**655,000**
Consideration (B)	**537,200**
% of Discount (1-B/A)	**17.98%**

Based on the above calculation, the Consideration therefore represents a discount of approximately 17.98% to the aggregate of the Target's unaudited net asset value and the Loan.

a. Valuation of the Property

According to the valuation report set out in Appendix IV to the Circular, which set out details of the Property, the Property has an open market value of HK$655.00 million. The Property comprises fourteen floors of office space with a total gross floor area of approximately 81,102 square feet ("sq. ft.") and six floors, namely basement, ground floor, upper ground floor, first floor, second floor and third floor of retail space being used as shops, lounge and restaurant, with a gross floor area of approximately 35,022 sq. ft. Occupancies of the Property are set out as below:

Table 1

	Gross floor area ("GFA") *(sq. ft.)*	**Percentage to total GFA** *(%)*	**Monthly rentals** *(HK$)*	**Rental rate per month** *(HK$ per sq. ft.)*
Retail				
– vacant	12,829	36.63	–	
– occupied by Target	1,481	4.23	–	
– leased to independent third parties	20,712	59.14	401,000	
Total	**35,022**	**100**	**401,000**	**11.45**
Office				
– vacant	3,871	4.77	–	
– leased to the Group and other members of China Minmetals Group*	34,758	42.86	758,885	
– leased to independent third parties	42,473	52.37	680,332	
Total	**81,102**	**100**	**1,439,217**	**17.75**
Roof Aerial	**–**	**–**	**7,100**	**–**
Grand Total	**116,124**		**1,847,317**	**15.91**

* Total gross floor area of approximately 11,586 sq. ft. is currently occupied by the Group.

We have discussed with Knight Frank and understand that the valuation on the Property has been made by reference to comparable market transactions and where appropriate on the basis of capitalization of the net income derived from the Property. The owner-occupied portions have been valued assuming sale with vacant possession.

We consider that the methodologies applied by Knight Frank are consistent with market practice and the underlying basis for the valuation of the Property is fair and reasonable.

Knight Frank had identified the following commercial buildings ("Comparables") in nearby locations of the same district with en bloc transactions for comparison purpose. We noted that the transactions on the Comparables were conducted in 2007. Since the transaction prices vary substantially according to the prevailing market situation, locations and size of the respective properties, the following table only serves for reference purpose.

Table 2

Property	**Transaction Date**	**Consideration**	**GFA**	**Total monthly rentals**	**Rental rate per month**	**Yield**
		(HK$'million)	*(sq. ft.)*	*(HK$'million)*	*(HK$ per sq. ft.)*	*(%)*
Tern Commercial Building, 39 Granville Road, Tsim Sha Tsui, Kowloon	19-Dec-2007	348.00	26,400	1.00	37.88	3.45
L&D House, 2 Cameron Road, Tsim Sha Tsui, Kowloon	17-Dec-2007	861.10	58,040	2.60	44.80	3.62
Swire Machanic House, 19 – 23 Austin Avenue, Kowloon	3-May-2007	500.00	91,999	1.17	12.72	2.81

Based on the total monthly rentals derived from the Property of approximately HK$1.85 million (approximately HK$22.20 million per annum) and the Consideration of HK$537.20 million, the Property is expected to provide a gross yield of approximately 4.13%. According to Table 2, the en bloc yield on the Comparables ranged from 2.81% to 3.62%. The gross yield of the Property is higher than those of the Comparables.

Table 1 showed that unit rents of office and retail spaces of the Property are relatively low as compared with two of the Comparables. The respective rate of occupancy of office and retail spaces of the Property is approximately 95.23% and 63.37%. We have reviewed the summary of tenancies provided by the Company and noted that tenancies of approximately 35.0% of the total tenanted gross floor area will be expiring within the year of 2008. The Board expects that the remaining vacant area will be leased out and the expiring tenancies will be renewed at market rates to achieve higher rental rate, which would improve the return from the Property.

In light of (a) the above mentioned discount of the Consideration to the aggregate of the Target's unaudited net asset value as at 2 June 2008 and the Loan; (b) the higher return achieved by the Target as compared to the Comparables; and (c) the potential for improvement in rental income which may accrue upon renewal of tenancies and new lettings on the Property, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

b. Terms of payment

The Consideration will be satisfied in full by the allotment and issue of 340,000,000 Consideration Shares at HK$1.58 per Consideration Share. The Consideration Shares represent approximately 43.94% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 30.53% of the enlarged issued share capital of the Company upon Completion.

The issue price of HK$1.58 per Consideration Share represents:

(i) the closing price of HK$1.58 per Share as at Acquisition Date;

(ii) a premium of approximately 0.64% over the ten-day average closing price per Share of HK$1.57 as quoted on the Stock Exchange for the period from 23 May 2008 to the Acquisition Date;

(iii) a discount of approximately 3.07% to the one-month average closing price per Share of HK$1.63 as quoted on the Stock Exchange for the period from 5 May 2008 to the Acquisition Date;

(iv) a discount of approximately 3.66% to the three-month average closing price per Share of HK$1.64 as quoted on the Stock Exchange for the period from 5 March 2008 to the Acquisition Date; and

(v) a premium of approximately 13.67% over the net asset value of approximately HK$1.39 per Share based on the audited net asset value of the Company of approximately HK$1,073.34 million and 773,831,783 Shares in issue as per annual report for the Company for the year ended 31 December 2007.

Completion is conditional upon the fulfillment of, among other things, the conditions as set out in the "Letter from the Board" in the Circular on or before 31 August 2008, or such later date as may be agreed among the parties to the Acquisition Agreement.

As the issue price of the Consideration Shares is at a relatively low range of discount to the relevant average closing prices of the Shares as stated above and at a premium over the net asset value per Share as at 31 December 2007, and having regard to the relatively illiquid trading of the Shares in recent months (with an average daily trading volume of 238,470 Shares in the 30 days period up to and including 5 June 2008), we consider that the issue price of Consideration Shares is fair and reasonable so far as the Independent Shareholders are concerned.

4. Possible dilution effects on public shareholdings

As at the Latest Practicable Date, China Minmetals through its indirect wholly-owned subsidiary, June Glory, holds approximately 53.83% of the existing issued share capital of the Company. Upon Completion, June Glory will hold approximately 67.93% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The shareholdings of public Shareholders will be diluted from approximately 46.17% as at the Latest Practicable Date to approximately 32.07% upon Completion.

Given (a) the benefits of the Acquisition to the Company as set out above; (b) the above-mentioned analysis of the terms of the Consideration; (c) the possible financial effects of the Acquisition as set out below; and (d) the financing of the Acquisition by the Consideration Shares to increase the permanent capital of the Company rather than incurring additional borrowings and its consequential servicing and gearing impacts, we consider that the dilution on public shareholdings is acceptable.

5. Possible financial effects of the Acquisition

a. Result on consolidation

Upon Completion, Target will become a wholly-owned subsidiary of the Company and its results will be consolidated into the financial statements of the Company.

b. Net assets value (Shareholders' funds)

According to the "Financial Information on The Enlarged Group" set out in Appendix III to the Circular, the Group's net assets value will be increased by approximately HK$537.20 million to approximately HK$1,610.54 million. Based on the total number of Shares in issue as at 31 December 2007 of 773,831,783 Shares and the total number of Shares as enlarged by the issue of the Consideration Shares, the net asset value per Share will be increased from approximately HK$1.39 to approximately HK$1.45.

c. Gearing position

The net gearing of the Group (being total bank borrowings less cash balances to shareholders' fund) was zero as at 31 December 2007. The Enlarged Group will maintain an ample cash balance of approximately HK$812.98 million and with no net debt. The net gearing of the Enlarged Group will be zero upon Completion.

d. Earnings

Following the Completion, the revenue of the Enlarged Group will be increased by the post-Completion rental income to be derived from the Property and correspondingly, the post-Completion net profit of the Target will be consolidated.

IV. RECOMMENDATION

We have considered the above principal factors and reasons and particularly the following:

(i) the Acquisition is consistent with the Group's stated business strategy to focus on real estate investment and development as a core business activity;

(ii) the Property consists of retail and office premises in a prime location in Hong Kong and would significantly expand the Group's portfolio of commercial properties in Hong Kong;

(iii) the terms of the Consideration as discussed above; and

(iv) the possible financial effects and dilution on public shareholdings.

We are of the opinion that the Acquisition is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour for the ordinary resolution to approve the Acquisition at the SGM.

Yours faithfully,
For and on behalf of
Access Capital Limited
Jimmy Chung
Principal Director

ACCOUNTANT'S REPORT ON TARGET FOR THE THREE YEARS ENDED 31ST DECEMBER 2007

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

26th June 2008

The Directors
Minmetals Land Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Texion Development Limited ("Texion") set out in Sections I to III below, for inclusion in the circular of Minmetals Land Limited (the "Company") dated 26th June 2008 (the "Circular") in connection with the proposed acquisition by the Company of the entire issued share capital of Texion. The Financial Information comprises the balance sheets of Texion as at 31st December 2005, 2006 and 2007, and the income statements, the statements of changes in equity and the cash flow statements of Texion for each of the years ended 31st December 2005, 2006 and 2007 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

Texion was incorporated in Hong Kong with limited liability on 22nd April 1988.

The financial statements of Texion for each of the years ended 31st December 2005, 2006 and 2007 were audited by PricewaterhouseCoopers.

The Financial Information has been prepared based on the audited financial statements of Texion.

DIRECTORS' RESPONSIBILITY

The directors of Texion during the Relevant Periods are responsible for the preparation and the true and fair presentation of the financial statements of Texion in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the audited financial statements of Texion for the Relevant Periods used in preparing the Financial Information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

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 Texion as at 31st December 2005, 2006 and 2007, and of Texion's results and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION

Income Statements

	Section II Note	Year ended 31st December 2005 HK$	2006 HK$	2007 HK$
Revenue	*5*	20,198,225	21,044,741	34,014,603
Other income	*6*	–	54,256	84,076
Fair value gain on investment properties	*14*	57,900,000	98,800,000	80,600,000
Administrative expenses	*7*	(1,483,972)	(1,204,343)	(2,116,434)
Operating profit		76,614,253	118,694,654	112,582,245
Finance income	*8*	787,647	582,935	982,092
Finance costs	*8*	(6,563,510)	(3,254,424)	(18,881,560)
Finance costs – net		(5,775,863)	(2,671,489)	(17,899,468)
Profit before income tax		70,838,390	116,023,165	94,682,777
Income tax	*9*	(2,285,756)	(2,912,072)	(2,204,486)
Profit for the year attributable to the equity holders of Texion		68,552,634	113,111,093	92,478,291
Earnings per share for profit attributable to the equity holders of Texion				
– Basic	*10*	HK$1.37	HK$2.26	HK$1.85
– Diluted	*10*	HK$1.37	HK$2.26	HK$1.85

Balance Sheets

	Section II Note	As at 31st December 2005 *HK$*	2006 *HK$*	2007 *HK$*
ASSETS				
Non-current assets				
Buildings	*12*	3,298,920	3,223,493	3,148,066
Leasehold land	*13*	3,684,196	3,599,959	3,515,722
Investment properties	*14*	468,700,000	567,500,000	648,100,000
Deposits		762,194	769,759	804,419
		476,445,310	575,093,211	655,568,207
Current assets				
Amount due from an intermediate holding company	*15*	–	–	122,370
Trade receivables	*16*	919,141	626,740	341,000
Financial assets at fair value through profit or loss	*17*	2,522,250	991,730	64,375,993
Income tax recoverable		177,438	–	706,950
Cash and cash equivalents	*18*	33,907,716	13,298,888	16,191,894
		37,526,545	14,917,358	81,738,207
Total assets		513,971,855	590,010,569	737,306,414
EQUITY				
Capital and reserves attributable to the equity holders of Texion				
Share capital	*19*	50,000,000	50,000,000	50,000,000
Retained earnings		67,427,362	180,538,455	273,016,746
Total equity		117,427,362	230,538,455	323,016,746

	Section II Note	As at 31st December 2005 HK$	2006 HK$	2007 HK$
LIABILITIES				
Non-current liabilities				
Rental deposits		4,052,531	3,233,027	2,170,121
Deferred income tax liabilities	*20*	5,372,054	6,159,332	6,945,973
Bank borrowings	*21*	67,500,000	–	–
		76,924,585	9,392,359	9,116,094
Current liabilities				
Amount due to immediate holding company	*15*	272,495,123	345,587,693	402,015,675
Amount due to an intermediate holding company	*15*	40,000	40,000	–
Trade and other payables	*22*	2,084,785	3,740,444	3,157,899
Income tax payable		–	711,618	–
Bank borrowings	*21*	45,000,000	–	–
		319,619,908	350,079,755	405,173,574
Total liabilities		396,544,493	359,472,114	414,289,668
Total equity and liabilities		513,971,855	590,010,569	737,306,414
Net current liabilities		(282,093,363)	(335,162,397)	(323,435,367)
Total assets less current liabilities		194,351,947	239,930,814	332,132,840

Statements of Changes in Equity

	Share capital	(Accumulated losses)/ retained earnings	Total
	HK$	*HK$*	*HK$*
As at 1st January 2005	50,000,000	(1,125,272)	48,874,728
Profit for the year	–	68,552,634	68,552,634
As at 31st December 2005 and 1st January 2006	50,000,000	67,427,362	117,427,362
Profit for the year	–	113,111,093	113,111,093
As at 31st December 2006 and 1st January 2007	50,000,000	180,538,455	230,538,455
Profit for the year	–	92,478,291	92,478,291
As at 31st December 2007	50,000,000	273,016,746	323,016,746

Cash Flow Statements

	Section II Note	Year ended 31st December 2005 HK$	2006 HK$	2007 HK$
Cash flows from operating activities				
Cash generated from/(used in) operations	24	45,733,838	22,705,829	(33,262,690)
Income tax paid		(3,241,756)	(1,235,738)	(2,836,413)
Interest paid		(6,563,510)	(3,254,424)	–
Net cash generated from/(used in) operating activities		35,928,572	18,215,667	(36,099,103)
Cash flows from investing activities				
Interest received from bank deposits		787,647	582,935	982,092
Interest received from financial assets at fair value through profit or loss		409,500	–	–
Dividend received from financial assets at fair value through profit or loss		244,909	–	503,595
Net cash generated from investing activities		1,442,056	582,935	1,485,687
Cash flows from financing activities				
Repayment of bank borrowings		(135,000,000)	(112,500,000)	–
(Repayment to)/advance from immediate holding company		(10,755,223)	73,092,570	37,546,422
Repayment to an intermediate holding company		–	–	(40,000)
Net cash (used in)/generated from financing activities		(145,775,223)	(39,407,430)	37,506,422
Net (decrease)/increase in cash and cash equivalents		(108,404,595)	(20,608,828)	2,893,006
Cash and cash equivalents at beginning of the year		142,312,311	33,907,716	13,298,888
Cash and cash equivalents at end of the year		33,907,716	13,298,888	16,191,894

II NOTES TO THE FINANCIAL INFORMATION

1 Company structure and principal activities

Texion is incorporated in Hong Kong with limited liability. It is principally engaged in property investment and securities investment and trading. The address of its registered office is 11/F China Minmetals Tower, 79 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong.

As at 31st December 2007, the immediate holding company and ultimate holding company of Texion are Cheemimet Finance Limited, a company incorporated in Hong Kong, and China Minmetals Corporation, an enterprise established in the People's Republic of China (the "PRC"), respectively.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. For the purpose of this report, these policies are materially consistent with those of Minmetals Land Limited and have been consistently applied to the Relevant Periods presented.

2.1 Basis of preparation

The Financial Information of Texion has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

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 Texion's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 of this section.

Texion has net current liabilities of HK$323,435,367 as at 31st December 2007, which includes an amount due to immediate holding company of HK$402,015,675 which is repayable on demand. Should the immediate holding company demands repayment of this amount, Texion would need to find an alternative source of finance or capital. Such a demand for repayment of the amount due to immediate holding company would affect significantly the ability of Texion to continue as a going concern and to meet its liabilities as they fall due. The Financial Information has been prepared on a going concern basis because, in the opinion of the Directors of Texion and the Company, Texion is expected to continue to meet its liabilities as they fall due based on the financial supports provided by the immediate holding company and the Company before and after completion of the acquisition of Texion by the Company respectively. Pursuant to the acquisition agreement, the Company would acquire the entire issued share capital of Texion and the benefits in the entire amount owing by Texion to its immediate holding company, Cheemimet Finance Limited.

(a) New/revised standards and amendment to existing standard that are not yet effective and have not been early adopted by Texion

The following new/revised standards and amendment to existing standard are mandatory for accounting periods beginning on or after 1st January 2009 but Texion has not early adopted them:

HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1st January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRS. Texion will apply HKAS 1 (Revised) from 1st January 2009.

HKAS 23 (Amendment), "Borrowing Costs" (effective from 1st January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Texion will apply HKAS 23 (Amendment) from 1st January 2009.

HKFRS 8, "Operating Segments" (effective from 1st January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. Texion will apply HKFRS 8 from 1st January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

(b) Revised standards, amendment and interpretations to existing standards that are not yet effective and not relevant to Texion's operations

The following revised standards, amendment and interpretations to existing standards have been published and are mandatory for Texion's accounting periods beginning on or after 1st January 2008 or later periods but are not relevant to Texion's operations:

HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1st January 2009)
HKFRS 3 (Revised)	Business Combinations (effective for business combinations with acquisition date on or after the first annual reporting period beginning on or after 1st July 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1st July 2009)
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1st March 2007)
HK(IFRIC)-Int 12	Service Concession Arrangements (effective for annual periods beginning on or after 1st January 2008)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1st July 2008)
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1st January 2008)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information of Texion are measured using the currency of the primary economic environment in which Texion operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars (HK$), which is Texion's functional and presentation currency, unless otherwise stated.

(b) 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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation difference resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sales financial asset fair value reserve in equity.

2.3 Buildings

Buildings are 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 building'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 Texion and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of buildings is calculated using the straight-line method to allocate cost to their residual values at an annual rate of 2%.

The building's residual value and useful life are reviewed, and adjusted as appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.4 Investment property

Investment property represents Texion's interest in a building that is held for long-term yields or for capital appreciation or both, and that is not occupied by Texion.

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 representing open market value determined annually by external valuers. Fair value is based on market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

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 Texion 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.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Trade receivables

Trade 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 receivables is established when there is objective evidence that Texion will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 carrying amount of the assets is reduced through the use of an allowance account, and the amount of loss is recognised in the income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the income statement.

2.7 Financial assets

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

(a) 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.

(b) 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. These are classified as non-current assets. Loans and receivables are classified as "trade receivables" and "cash and cash equivalents" in the balance sheets (Notes 2.6 and 2.8).

Regular way purchases and sales of investments are recognised on trade-date – the date on which Texion 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, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Texion has transferred substantially all risks and rewards of ownership. 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 "revenue" in the period in which they arise. Dividend from financial assets at fair value through profit or loss is recognised in the income statement as part of "revenue" when Texion's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Texion establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Texion assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.9 Share capital

Ordinary shares are classified as equity.

2.10 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 Texion has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.11 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance date in the places where Texion operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income 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 information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

2.12 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.

2.13 Revenue recognition

Rental income (net of any lease incentives) under operating lease is recognised on a straight line basis over the lease periods.

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

The revenue recognition policy for sales of securities investments is set out in Note 2.7.

2.14 Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.15 Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. Texion does not recognise liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

2.16 Leases (as the lessee for operating lease)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged in the income statement on a straight-line basis over the period of the leases.

3 Financial risk management

3.1 Financial risk factors

Texion's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Texion's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Texion's financial performance.

(a) Market risk

(i) Foreign exchange risk

As most of the monetary assets and liabilities of Texion are denominated in Hong Kong dollars and Texion conducts its business transactions in Hong Kong dollars, the exchange rate risk of Texion is not significant.

(ii) Price risk

Texion is exposed to securities price risk because investments held by Texion are classified as financial assets at fair value through profit or loss on the balance sheets. Texion has not mitigated its price risk arising from investments in securities financial assets.

For Texion's investments that are publicly traded, their fair values are determined with reference to quoted market prices.

As at 31st December 2005, 2006 and 2007, if the market prices of these securities financial assets had increased/decreased by 10% with all other variables held constant, Texion's post-tax profit for each year would have been changed as follows:

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Post-tax profit increase/(decrease)			
– Market prices increased by 10%	208,086	81,818	5,311,019
– Market prices decreased by 10%	(208,086)	(81,818)	(5,311,019)

(iii) Interest rate risk

Texion's income and operating cash flows are substantially independent of changes in market interest rates as Texion has no significant interest-bearing assets, except for its bank deposits (Note 18). Texion's exposures to changes in interest rates are mainly attributable to its bank borrowings and amount due to immediate holding company. Bank borrowings obtained at variable rates expose Texion to cash flow interest-rate risk. Amount due to immediate holding company obtained at fixed rate exposes Texion to fair value interest rate risk. Texion has not hedged its cash flow and fair value interest rate risk.

As at 31st December 2005, 2006 and 2007, if interest rates on bank borrowings had been 10 basis points higher/lower with all other variables held constant, Texion's post-tax profit for each year would have been changed, mainly as a result of higher/lower interest expense on floating rate bank borrowings. Details of the changes are as follows:

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Post-tax profit (decrease)/increase			
– Higher 10 basis points	(82,845)	–	–
– Lower 10 basis points	82,845	–	–

(b) *Credit risk*

Texion's credit risk mainly arises from cash and cash equivalents and financial guarantee for certain bank borrowings of an intermediate holding company.

As at 31st December 2005, 2006 and 2007, all cash and cash equivalents were deposited in high quality banks without significant credit risk.

The table below shows the bank balances of major banks at the balance sheet dates. Management does not expect any losses from non-performance by these banks.

		Year ended 31st December		
Counterparty	**Credit rating**	**2005**	**2006**	**2007**
	(Note)	*HK$*	*HK$*	*HK$*
Bank A	Aa3	–	–	6,627,485
Bank B	A2	–	–	8,875,098
Bank C	Aa2	–	128,037	–
Bank D	Baa2	10,494,236	13,170,489	–
Bank E	A3	23,272,388	–	–
		33,766,624	13,298,526	15,502,583

Note: The source of credit rating is from Moody's Investors Service.

As at 31st December 2006 and 2007, Texion's maximum exposure to credit risk in respect of financial guarantee amounted to HK$146,889,702 and HK$300,000,000 respectively. Further details of the financial guarantee are set out in Notes 12, 13, 14 and 25 below.

(c) *Liquidity risk*

The table below analyses Texion's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31st December 2005	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Amount due to immediate holding company	272,495,123	–	–	272,495,123
Amount due to an intermediate holding company	40,000	–	–	40,000
Bank borrowings	45,000,000	45,000,000	22,500,000	112,500,000
Interest payments on bank borrowings	4,769,846	2,603,065	488,990	7,861,901
Rental deposits	–	2,186,165	1,866,366	4,052,531
Trade and other payables	2,084,785	–	–	2,084,785

As at 31st December 2006	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Amount due to immediate holding company	345,587,693	–	–	345,587,693
Amount due to an intermediate holding company	40,000	–	–	40,000
Rental deposits	–	1,483,634	1,749,393	3,233,027
Trade and other payables	3,740,444	–	–	3,704,444

As at 31st December 2007	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Amount due to immediate holding company	402,015,675	–	–	402,015,675
Rental deposits	–	1,510,277	659,844	2,170,121
Trade and other payables	3,157,899	–	–	3,157,899

3.2 Capital risk management

Texion's objectives when managing capital are to safeguard Texion's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Texion monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheets, plus net debt/(cash).

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Total bank borrowings	112,500,000	–	–
Less: Cash and cash equivalents	(33,907,716)	(13,298,888)	(16,191,894)
Net debt/(cash)	78,592,284	(13,298,888)	(16,191,894)
Total equity	117,427,362	230,538,455	323,016,746
Total capital	196,019,646	217,239,567	306,824,852
Gearing ratio	40%	Not applicable	Not applicable

The significant change in the gearing ratio in 2006 resulted primarily from the repayment of bank borrowings.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet dates. The quoted market price used for financial assets held by Texion is the current bid price.

The carrying amounts of Texion's financial assets including amount due from an intermediate holding company, trade receivables, cash and cash equivalents, and financial liabilities including amounts due to immediate holding company and an intermediate holding company, and trade and other payables are assumed to approximate their fair values due to their short-term maturities.

4 Critical accounting judgements and estimates

Estimates and judgements used in preparing the Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

(a) Investment properties

Knight Frank was engaged to carry out an independent valuation of Texion's investment properties as at 31st December 2005, 2006 and 2007. The fair value of each investment property is individually determined at each balance sheet date based on market value assessment, on an existing use basis. The valuer has relied on the income capitalisation approach as its primary method, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each 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.

(b) Income tax

Texion is subject to Hong Kong profits tax. Significant judgement is required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Texion recognises liabilities for anticipated taxes 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 would impact the current 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 Texion's internal financial reporting, Texion has determined that business segments should be presented as the primary reporting format. Texion has categorised its businesses into two main business segments. They are property investment and securities investment and trading.

Income statement	**Year ended 31st December 2005**		
	Property investment *HK$*	**Securities investment and trading** *HK$*	**Total** *HK$*
Revenue			
Rental income	16,299,949	–	16,299,949
Net gain on financial assets at fair value through profit or loss	–	3,243,867	3,243,867
Dividend income on financial assets at fair value through profit or loss	–	244,909	244,909
Interest income on financial assets at fair value through profit or loss	–	409,500	409,500
	16,299,949	3,898,276	20,198,225
Segment results	72,735,977	3,898,276	76,634,253
Unallocated cost			(20,000)
Operating profit			76,614,253
Finance costs – net			(5,775,863)
Profit before income tax			70,838,390
Income tax			(2,285,756)
Profit for the year			68,552,634
Other information			
Depreciation	181,026	–	181,026
Amortisation of leasehold land	202,168	–	202,168
Balance sheet	**As at 31st December 2005**		
Segment assets	477,364,451	2,522,250	479,886,701
Unallocated assets			34,085,154
			513,971,855
Segment liabilities	(391,172,439)	–	(391,172,439)
Unallocated liabilities			(5,372,054)
			(396,544,493)

Income statement	**Year ended 31st December 2006**		
	Property investment *HK$*	**Securities investment and trading** *HK$*	**Total** *HK$*
Revenue			
Rental income	19,294,667	–	19,294,667
Net gain on financial assets at fair value through profit or loss	–	1,750,074	1,750,074
	19,294,667	1,750,074	21,044,741
Segment results	116,989,580	1,750,074	118,739,654
Unallocated cost			(45,000)
Operating profit			118,694,654
Finance costs – net			(2,671,489)
Profit before income tax			116,023,165
Income tax			(2,912,072)
Profit for the year			113,111,093
Other information			
Depreciation	75,427	–	75,427
Amortisation of leasehold land	84,237	–	84,237

Balance sheet	**As at 31st December 2006**		
Segment assets	575,719,951	991,730	576,711,681
Unallocated assets			13,298,888
			590,010,569
Segment liabilities	(352,601,164)	–	(352,601,164)
Unallocated liabilities			(6,870,950)
			(359,472,114)

Income statement	**Year ended 31st December 2007**		
	Property investment *HK$*	**Securities investment and trading** *HK$*	**Total** *HK$*
Revenue			
Rental income	20,187,838	–	20,187,838
Net gain on financial assets at fair value through profit or loss	–	13,323,170	13,323,170
Dividend income on financial assets at fair value through profit or loss	–	503,595	503,595
	20,187,838	13,826,765	34,014,603
Segment results	98,815,480	13,826,765	112,642,245
Unallocated cost			(60,000)
Operating profit			112,582,245
Finance costs – net			(17,899,468)
Profit before income tax			94,682,777
Income tax			(2,204,486)
Profit for the year			92,478,291
Other information			
Depreciation	75,427	–	75,427
Amortisation of leasehold land	84,237	–	84,237
Balance sheet	**As at 31st December 2007**		
Segment assets	656,031,577	64,375,993	720,407,570
Unallocated assets			16,898,844
			737,306,414
Segment liabilities	(350,915,713)	(56,427,982)	(407,343,695)
Unallocated liabilities			(6,945,973)
			(414,289,668)

Segment assets consist primarily of buildings, leasehold land, investment properties and financial assets at fair value through profit or loss. They exclude income tax recoverable and cash and cash equivalents.

Segment liabilities consist primarily of rental deposits, bank borrowings, amount due to immediate holding company, and trade and other payables. They exclude deferred income tax liabilities and income tax payable.

(b) Secondary reporting format – geographical segments

No segment analysis for geographical segment is presented as all the operations and assets of Texion are in Hong Kong.

6 Other income

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Sundry income	–	54,256	84,076

7 Expenses by nature

Expenses included in administrative expenses are analysed as follows:

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Depreciation	181,026	75,427	75,427
Amortisation of leasehold land	202,168	84,237	84,237
Commission paid	413,616	261,699	312,528
Direct out-goings in respect of investment properties that generate rental income			
– Building management fees	278,055	421,254	1,019,753
– Rates and rents	49,819	77,009	130,023
Auditor's remuneration	20,000	45,000	60,000

8 Finance costs – net

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Interest income on bank deposits	787,647	582,935	982,092
Interest expense on secured bank borrowings	(6,563,510)	(3,254,424)	–
Interest expense on amount due to immediate holding company	–	–	(18,881,560)
	(6,563,510)	(3,254,424)	(18,881,560)
Finance costs – net	(5,775,863)	(2,671,489)	(17,899,468)

9 Income tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the Relevant Periods.

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Hong Kong profits tax			
– Current year	1,413,178	2,124,794	1,417,845
– Underprovision in prior years	60,524	–	–
Deferred income tax *(Note 20)*	812,054	787,278	786,641
	2,285,756	2,912,072	2,204,486

The tax on Texion's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Profit before income tax	70,838,390	116,023,165	94,682,777
Calculated at a tax rate of 17.5% applicable to profits in Hong Kong	12,396,718	20,304,054	16,569,486
Income not subject to taxation	(10,400,012)	(17,391,982)	(14,365,000)
Expenses not deductible for taxation purposes	228,526	–	–
Underprovision in prior years	60,524	–	–
Income tax	2,285,756	2,912,072	2,204,486

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Texion for the years ended 31st December 2005, 2006 and 2007 of HK$68,552,634, HK$113,111,093 and HK$92,478,291 respectively by the weighted average number of 50,000,000 ordinary shares in issue during the Relevant Periods.

There were no dilutive potential shares in issue during the Relevant Periods.

11 Directors' emoluments and five highest paid individuals

No fees or other emoluments have been paid or are payable to the directors of Texion for their services during the Relevant Periods. As Texion did not incur any staff cost during the Relevant Periods, information in respect of five highest paid individuals is not presented.

12 Buildings

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Opening net book amount	3,479,946	3,298,920	3,223,493
Depreciation	(181,026)	(75,427)	(75,427)
Closing net book amount	3,298,920	3,223,493	3,148,066

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Cost	3,620,523	3,620,523	3,620,523
Accumulated depreciation	(321,603)	(397,030)	(472,457)
Net book amount	3,298,920	3,223,493	3,148,066

As at 31st December 2005, the buildings were pledged as securities for its bank borrowings. As at 31st December 2006 and 2007, the buildings were pledged as securities for certain bank borrowings of an intermediate holding company.

13 Leasehold land

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Opening net book value	3,886,364	3,684,196	3,599,959
Amortisation of prepaid operating lease payments	(202,168)	(84,237)	(84,237)
Closing net book value	3,684,196	3,599,959	3,515,722

The leasehold land is located in Hong Kong and held under a medium term lease of between 10 to 50 years.

As at 31st December 2005, the leasehold land was pledged as security for its bank borrowings. As at 31st December 2006 and 2007, the leasehold land was pledged as security for certain bank borrowings of an intermediate holding company.

14 Investment properties

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
At beginning of the year	410,800,000	468,700,000	567,500,000
Fair value gains	57,900,000	98,800,000	80,600,000
At end of the year	468,700,000	567,500,000	648,100,000

Texion's investment properties are located in Hong Kong and held under a medium term lease of between 10 to 50 years.

Investment properties are stated at the revalued amounts on the basis of its market value determined by Knight Frank, an independent professional firm of chartered surveyors with recent valuation experience in Hong Kong commercial investment properties.

As at 31st December 2005, the investment properties were pledged as securities for its bank borrowings. As at 31st December 2006 and 2007, the investment properties were pledged as securities for certain bank borrowings of an intermediate holding company.

15 Amounts due from/(to) immediate holding company and an intermediate holding company

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Amount due (to)/from an intermediate holding company			
– China Minmetals H.K. (Holdings) Limited	(40,000)	(40,000)	122,370
Amount due to immediate holding company			
– Cheemimet Finance Limited	(272,495,123)	(345,587,693)	(402,015,675)

As at 31st December 2005 and 2006, the amounts are unsecured, interest free and repayable on demand. As at 31st December 2007, except for an amount due to immediate holding company of HK$345,991,183, which is interest bearing at a fixed interest rate of 5.46% per annum, the amounts are unsecured, interest free and repayable on demand.

The carrying amounts of the amounts due from/(to) immediate holding company and an intermediate holding company are denominated in Hong Kong dollars.

16 Trade receivables

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Trade receivables	919,141	626,740	341,000

Trade receivables represent tenant rentals receivable which are normally due for payment upon presentation of debit note at the beginning of each rental period (normally on a monthly basis). As at 31st December 2005, 2006 and 2007, all trade receivables were current and aged within 30 days.

The carrying amounts of trade receivables are denominated in Hong Kong dollars and approximate their fair values.

The maximum exposure of Texion to credit risk as at 31st December 2005, 2006 and 2007 was the fair value of trade receivables mentioned above. Texion did not hold any collateral as security.

The credit risk on trade receivables is limited because Texion's investment properties are leased to tenants with an appropriate credit history.

17 Financial assets at fair value through profit or loss

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Equity securities at market value:			
Listed in Hong Kong	2,522,250	991,730	53,083,250
Listed in Mainland China	–	–	11,292,743
	2,522,250	991,730	64,375,993

Changes in fair values of financial assets at fair value through profit or loss are recorded in "revenue" in the income statements.

The fair values of all equity securities are based on their current bid prices in an active market.

18 Cash and cash equivalents

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Cash at bank and in hand	5,334,390	13,298,888	11,587,691
Short-term bank deposits	28,573,326	–	4,604,203
	33,907,716	13,298,888	16,191,894
Maximum exposure to credit risk	33,907,716	13,298,888	16,191,894

Cash and cash equivalents are denominated in the following currencies:

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Hong Kong dollars	33,904,649	13,298,883	16,191,889
Other currencies	3,067	5	5
	33,907,716	13,298,888	16,191,894

The effective interest rates on short-term bank deposits as at 31st December 2005 and 2007 were 3.12% and 3.03% respectively; these deposits had an average maturity of 6 days and 8 days respectively.

19 Share capital

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Authorised, issued and fully paid:			
50,000,000 ordinary shares of HK$1 each	50,000,000	50,000,000	50,000,000

20 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movements in deferred tax liabilities during the Relevant Periods in respect of accelerated tax depreciation allowance are as follows:

	Year ended 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
At beginning of the year	4,560,000	5,372,054	6,159,332
Deferred income tax charged to the income statement *(Note 9)*	812,054	787,278	786,641
At end of the year	5,372,054	6,159,332	6,945,973

21 Bank borrowings

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Non-current			
Long term bank borrowings – secured	67,500,000	–	–
Current			
Current portion of long-term bank borrowings – secured	45,000,000	–	–
Total bank borrowings	112,500,000	–	–

As at 31st December 2005, the bank borrowings of Texion were secured by its buildings (Note 12), leasehold land (Note 13) and investment properties (Note 14).

At each balance sheet date during the Relevant Periods, Texion's bank borrowings were repayable as follows:

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Within one year	45,000,000	–	–
Between one and two years	45,000,000	–	–
Between two and five years	22,500,000	–	–
	112,500,000	–	–

The effective interest rates at each balance sheet dates during the Relevant Periods were as follows:

	As at 31st December		
	2005	**2006**	**2007**
Bank borrowings	4.75%	–	–

The carrying amounts of the bank borrowings were denominated in Hong Kong dollars and approximated their fair values as the bank borrowings were at floating interest rates.

The bank borrowings had been fully repaid by Texion in 2006 and no new bank borrowings were obtained by Texion in 2006 and 2007.

22 Trade and other payables

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Trade payables	813,161	1,264,136	730,101
Rental deposits	1,179,748	2,431,308	2,367,798
Accruals	91,876	45,000	60,000
	2,084,785	3,740,444	3,157,899

The carrying amounts of trade and other payables are denominated in Hong Kong dollars and approximate their fair values.

As at 31st December 2005, 2006 and 2007, all trade payables were current and aged within 30 days.

23 Future operating lease arrangements

The future aggregate minimum lease receipts under non-cancellable operating leases in respect of properties are as follows:

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Not later than one year	17,218,741	17,288,633	14,330,220
Later than one year and not later than five years	17,286,693	15,397,266	10,696,770
	34,505,434	32,685,899	25,026,990

Texion leases out investment properties under operating leases which generally run for an initial period of two to three years. None of the leases includes contingent rentals.

24 Cash generated from/(used in) operations

	Year ended 31st December		
	2005	2006	2007
	HK$	*HK$*	*HK$*
Profit for the year	68,552,634	113,111,093	92,478,291
Adjustments for:			
– Income tax expenses	2,285,756	2,912,072	2,204,486
– Depreciation	181,026	75,427	75,427
– Amortisation of leasehold land	202,168	84,237	84,237
– Dividend income	(244,909)	–	(503,595)
– Interest income	(1,197,147)	(582,935)	(982,092)
– Interest expense	6,563,510	3,254,424	18,881,560
– Net unrealised fair value losses/(gains) on financial assets at fair value through profit or loss	18,496	(433,958)	(6,240,142)
– Fair value gain on investment properties	(57,900,000)	(98,800,000)	(80,600,000)
Changes in working capital:			
– Increase in deposits	(480)	(7,565)	(34,660)
– Increase in amount due from an intermediate holding company	–	–	(122,370)
– Decrease in trade receivables	3,461,002	292,401	285,740
– Decrease/(increase) in financial assets at fair value through profit or loss	23,623,324	1,964,478	(57,144,121)
– (Decrease)/increase in trade and other payables	(2,264,379)	1,655,659	(582,545)
– Increase/(decrease) in rental deposits	2,452,837	(819,504)	(1,062,906)
Cash generated from/(used in) operations	45,733,838	22,705,829	(33,262,690)

25 Related party transactions

Texion is wholly owned by Cheemimet Finance Limited, a company incorporated in Hong Kong. Texion's ultimate holding company is China Minmetals Corporation, a state-owned enterprise established in the PRC.

China Minmetals Corporation itself is controlled by the PRC government, which also owns a significant portion of productive assets in the PRC. In accordance with HKAS 24 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government, are also defined as related parties of Texion. On that basis, related parties include China Minmetals Corporation and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which Texion is able to control or exercise significant influence and key management personnel of Texion and China Minmetals Corporation as well as their close family members.

For the purpose of the related party transactions disclosures, Texion has identified, to the extent practicable, its tenants as to whether they are state-owned enterprises. However, many state-owned enterprises have a multi-layered corporate structure and the ownership structure may also change over time as a result of the transfers and privatisation programmes. Nevertheless, management believes that all material related party transactions have been adequately disclosed.

The following transactions were carried out with related parties during the Relevant Periods:

(a) Transactions with related parties

		Year ended 31st December		
		2005	**2006**	**2007**
	Note	*HK$*	*HK$*	*HK$*
Rental income from				
– an intermediate holding company	*(i)*	865,536	865,536	1,086,435
– immediate holding company	*(i)*	1,112,256	1,112,256	1,417,050
– fellow subsidiaries	*(i)*	2,572,092	3,052,911	3,197,736
		4,549,884	5,030,703	5,701,221
Interest income from state-owned banks		378,791	314,199	779,417
Interest expense				
– to immediate holding company	*(ii)*	–	–	(18,881,560)
– state-owned banks		(6,563,510)	(3,254,424)	–
		(6,563,510)	(3,254,424)	(18,881,560)

(i) Rental income was charged at terms as agreed between the transacting parties.

(ii) Interest expense was charged at 5.46% per annum.

(b) Balances with related parties

	As at 31st December		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Amount due from an intermediate holding company	–	–	122,370
Bank deposits in state-owned banks	10,504,290	13,170,846	16,190,390
Amount due to immediate holding company	272,495,123	345,587,693	402,015,675
Amount due to an intermediate holding company	40,000	40,000	–
Bank borrowings from state-owned banks	112,500,000	–	–

(c) As at 31st December 2005, Texion's buildings, leasehold land and investment properties were pledged as securities for its borrowings from a state-owned bank.

(d) As at 31st December 2006 and 2007, Texion's buildings, leasehold land and investment properties were pledged as securities for certain bank borrowings of an intermediate holding company.

(e) Key management compensation

The Board of Directors considered that Texion's key management was the directors and their remunerations are disclosed in Note 11 to the Financial Information.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Texion in respect of any period subsequent to 31st December 2007. No dividend has been declared, made or paid by Texion in respect of any period subsequent to 31st December 2007.

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 2005, 2006 and 2007, as extracted from the relevant annual reports of the Company which are not subject to any qualified opinion.

Results

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	231,322	303,085	431,206
Operating profit	25,090	108,233	162,530
Finance costs	(583)	(948)	(1,579)
Profit before tax	24,507	107,285	160,951
Income tax	3,642	(1,440)	(1,453)
Profit for the year	28,149	105,845	159,498
Attributable to:			
Equity holders of the Company	28,149	105,845	162,653
Minority interests	–	–	(3,155)

Financial Position

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	309,788	329,538	370,503
Current assets	528,647	945,628	2,390,263
Total assets	838,435	1,275,166	2,760,766
Capital and reserves attributable to equity holders of the Company	600,034	817,829	878,090
Minority interests	–	–	195,246
Total equity	600,034	817,829	1,073,336
Non-current liabilities	7,325	105,866	213,345
Current liabilities	231,076	351,471	1,474,085
Total liabilities	238,401	457,337	1,687,430
Total equity and liabilities	838,435	1,275,166	2,760,766

B. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007, which are extracted from pages 34 to 91 of the annual report of the Company for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007

	Note	**2007** *HK$'000*	**2006** *HK$'000*
Revenue	*5*	431,206	303,085
Cost of sales		(372,096)	(239,260)
Gross profit		59,110	63,825
Other income	*6*	151,014	2,867
Selling and distribution costs		(23,470)	(14,032)
Administrative expenses		(59,304)	(30,166)
Other operating expenses		(2,746)	(3,207)
Impairment of goodwill	*16*	(12,554)	–
Revaluation gain on investment properties	*15*	50,480	52,670
Write-back of provision for properties under development		–	36,276
Operating profit	*7*	162,530	108,233
Finance costs	*9*	(1,579)	(948)
Profit before tax		160,951	107,285
Income tax	*10*	(1,453)	(1,440)
Profit for the year		159,498	105,845
Attributable to:			
Equity holders of the Company	*11*	162,653	105,845
Minority interests		(3,155)	–
		159,498	105,845
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*	21.03	13.71
Dividends	*13*	–	–

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	20,297	17,545
Investment properties	15	341,249	290,769
Goodwill	16	8,520	20,095
Deferred tax assets	27	–	932
Other assets		437	197
		370,503	329,538
Current assets			
Inventories	18	1,311,836	488,607
Trade and other receivables	19	262,918	167,229
Gross amounts due from customers for contract work	20	875	617
Available-for-sale financial assets	21	–	136,080
Pledged deposits	22	17,850	36,994
Cash and bank deposits	23	796,784	116,101
		2,390,263	945,628
Total assets		2,760,766	1,275,166

	Note	2007 HK$'000	2006 HK$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	77,383	77,218
Reserves	25	800,707	740,611
		878,090	817,829
Minority interests		195,246	–
Total equity		1,073,336	817,829
LIABILITIES			
Non-current liabilities			
Borrowings	26	204,923	99,640
Deferred tax liabilities	27	123	–
Other liabilities		8,299	6,226
		213,345	105,866
Current liabilities			
Trade and other payables	28	267,603	168,323
Deferred revenue		833,245	–
Current tax payable		11,737	11,326
Borrowings	26	361,500	171,822
		1,474,085	351,471
Total liabilities		1,687,430	457,337
Total equity and liabilities		2,760,766	1,275,166
Net current assets		916,178	594,157
Total assets less current liabilities		1,286,681	923,695

BALANCE SHEET
As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	17(a)	74,280	12,701
Current assets			
Loans to subsidiaries	17(b)	1,784	1,718
Amounts due from subsidiaries	17(c)	761,111	745,921
Other receivables	19	560	325
Pledged deposits	22	5,000	5,000
Cash and bank deposits	23	18,883	2,605
		787,338	755,569
Total assets		861,618	768,270
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	77,383	77,218
Reserves	25	781,634	681,368
Total equity		859,017	758,586
LIABILITIES			
Current liabilities			
Other payables	28	2,601	9,684
Total liabilities		2,601	9,684
Total equity and liabilities		861,618	768,270
Net current assets		784,737	745,885
Total assets less current liabilities		859,017	758,586

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2007

	Attributable to equity holders of the Company				
	Share capital *HK$'000*	Reserves *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 January 2006	77,218	522,816	600,034	–	600,034
Revaluation surplus of available-for-sale financial assets	–	106,740	106,740	–	106,740
Currency translation adjustments	–	5,210	5,210	–	5,210
Net income directly recognised in equity	–	111,950	111,950	–	111,950
Profit for the year	–	105,845	105,845	–	105,845
Total recognised income and expense for the year	–	217,795	217,795	–	217,795
At 31 December 2006	77,218	740,611	817,829	–	817,829
Disposal of available-for-sale financial assets	–	(119,160)	(119,160)	–	(119,160)
Currency translation adjustments	–	15,399	15,399	3,554	18,953
Net (expense)/income directly recognised in equity	–	(103,761)	(103,761)	3,554	(100,207)
Profit for the year	–	162,653	162,653	(3,155)	159,498
Total recognised income and expense for the year	–	58,892	58,892	399	59,291
Issues of shares on exercise of share options	165	1,204	1,369	–	1,369
Acquisition of a subsidiary	–	–	–	194,848	194,848
Partial disposal of a subsidiary	–	–	–	(1)	(1)
Movements in equity arising from capital transactions	165	1,204	1,369	194,847	196,216
At 31 December 2007	77,383	800,707	878,090	195,246	1,073,336

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Operating activities			
Cash generated from/(used in) operations	*30(a)*	772,197	(195,844)
Interest paid		(30,163)	(10,406)
Income tax refund/(paid)		13	(601)
Net cash generated from/(used in) operating activities		742,047	(206,851)
Investing activities			
Acquisition of a subsidiary	*30(b)*	(127,960)	–
Partial disposal of a subsidiary		1	–
Purchase of property, plant and equipment		(4,724)	(4,578)
Net proceeds from disposal of available-for-sale financial assets		157,831	–
Proceeds from sales of financial assets at fair value through profit or loss		–	5,895
Proceeds from disposal of property, plant and equipment		117	352
Interest received		8,645	1,562
Net cash generated from investing activities		33,910	3,231
Financing activities			
Proceeds from issue of shares		1,369	–
New borrowings		310,497	267,946
Repayment of borrowings		(422,869)	(61,991)
Decrease/(increase) in pledged deposits		19,144	(31,994)
Net cash (used in)/generated from financing activities		(91,859)	173,961
Increase/(decrease) in cash and cash equivalents		684,098	(29,659)
Cash and cash equivalents at 1 January		112,585	142,244
Cash and cash equivalents at 31 December	*23*	796,683	112,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ORGANISATION AND OPERATIONS

Minmetals Land Limited (formerly known as ONFEM Holdings Limited, the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in real estate development and project management, specialised construction, property leasing, manufacturing and trading, and securities investment and trading. 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 is listed 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 1 April 2008.

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 and available-for-sale financial assets.

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) New standard, amendment and interpretations effective in 2007

In 2007, the Group adopted the following new standard, amendment and interpretations, which are relevant to its operations:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standard, amendment and interpretations does not have any significant impact on the Group's accounting policies or results and financial position.

(ii) New standard, revised standards and interpretations that are not yet effective and have not been early adopted by the Group

The following standards and interpretations, which are relevant to the Group's operations, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008:

HKAS 1 (Revised)	Presentation of Financial Statements (effective from 1 January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective from 1 January 2009)
HKFRS 8	Operating Segments (effective from 1 January 2009)
HK(IFRC) – Int 11	Group and Treasury Share Transactions (effective from 1 March 2007)

The Group will apply the above standards and interpretations from the accounting periods for which they are effective, but they are 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.

(i) Subsidiaries

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 for by the Company on the basis of dividend received and receivable.

(ii) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the income statement. Purchase from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

(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 dollar ("HK$" or "HK dollar(s)"), 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.

(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, 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 Group 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 are recognised on completion of the sale agreements. Deposits and instalments received on properties sold prior to completion of the respective sale agreements are included as deferred revenue under current liabilities.

(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 are 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 to their residual values over the 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 and residual values 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 or depreciation 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: 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) 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.

(ii) 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. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. 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.

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 weighted average 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, construction expenditures incurred and other direct development costs attributable to such properties, including borrowing costs capitalised. 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.

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

Employee entitlements to sick leave 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 scheme 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, it will then be recognised as a provision.

(w) Insurance contracts

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the income statement.

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided to the subsidiaries of the Company as insurance contracts.

(x) Comparative figures

Certain comparative figures have been re-classified to conform with the current year's presentation of the consolidated financial statements.

3 FINANCIAL RISK FACTORS AND MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest-rate risk), credit risk and liquidity risk. 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) Market risk

(i) Foreign exchange risk

Foreign exchange risk as defined by HKFRS 7 arises on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Majority of the subsidiaries of the Group operates in the PRC with most of the transactions denominated in Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against HK dollar. It has not hedged its foreign exchange rate risk.

At 31 December 2007, if HK dollar had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax profit for the year would have been HK$17,028,000 (2006: HK$13,442,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated assets in Hong Kong subsidiaries and HK dollar-denominated liabilities in PRC subsidiaries.

(ii) Cash flow interest-rate risk

The Group's cash flow interest-rate risk arises from borrowings issued at variable rates. The Group maintains a close relationship and communicates regularly with its finance providers to explore financing alternatives to monitor and mitigate interest rate risk.

At 31 December 2007, if interest rates on HK dollar-denominated deposits and borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$421,000 (2006: HK$97,000) higher/lower, net of an increase/decrease of capitalisation of finance costs of approximately HK$2,000,000 (2006: HK$712,000) into properties under development, mainly as a result of higher/lower interest income on floating rate deposits.

At 31 December 2007, if interest rates on RMB-denominated deposits and borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$7,639,000 (2006: HK$1,245,000) higher/lower, net of an increase/decrease of capitalisation of finance costs of approximately HK$3,506,000 (2006: HK$1,813,000) into properties under development, mainly as a result of higher/lower interest income on floating rate deposits.

(b) Credit risk

The Group's credit risk primarily arises from deposits with bank, trade and other receivables and guarantees provided in respect of mortgage facilities.

The credit risk on deposits with bank is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's financial position, past history of making payments and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at each balance sheet date to ensure adequate impairment losses are made for irrecoverable amounts.

Other than concentration of credit risk on deposits with several banks, the Group does not have any other significant concentration of credit risk.

Pursuant to the terms of the guarantees provided by the Group in respect of mortgage facilities granted by banks to purchasers of properties developed by the Group, upon default on mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks but the Group is entitled to retain the purchaser's deposits and take over the legal title and possession of the related properties. In this regard, the Group's credit risk is significantly reduced.

(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. Management monitors the rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility (Note 26(a)) and cash and cash equivalents (Note 23)) on the basis of expected cash flow.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
	HK$'000	*HK$'000*	*HK$'000*
Group			
At 31 December 2007			
Borrowings	384,173	218,025	–
Trade and other payables	238,807	15,586	13,210
	622,980	233,611	13,210
At 31 December 2006			
Borrowings	181,267	103,953	–
Trade and other payables	155,755	921	11,647
	337,022	104,874	11,647
Company			
At 31 December 2007			
Other payables	2,601	–	–
At 31 December 2006			
Other payables	9,684	–	–

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The total equity of the Group represents the capital structure of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less pledged deposits and cash and bank deposits.

The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Total borrowings *(Note 26)*	566,423	271,462
Less: Pledged deposits *(Note 22)*	(17,850)	(36,994)
Cash and bank deposits (Note 23)	(796,784)	(116,101)
Net (cash)/debt	(248,211)	118,367
Net debt	–	118,367
Total equity	1,073,336	817,829
Gearing ratio	N/A	14.47%

The decrease in the gearing ratio in 2007 is primarily due to the cash proceeds received amounting to approximately HK$833,245,000 from properties sold prior to the completion of the sale agreements.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates from the balance sheet date are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Not later than 6 months	297,402	100,665
Later than 6 months but not later than 12 months	64,098	71,157
Later than 1 year but not later than 5 years	204,923	99,640
	566,423	271,462

3.3 Fair value estimation

The fair value of financial instruments traded in active markets 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.

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 and RHL Appraisal Limited were engaged to carry out an independent valuation of the Group's investment property portfolio as at 31 December 2007. The valuation was carried out in accordance with the HKIS Valuation Standards on Properties of the Hong Kong Institute of Surveyors which define 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)*.

If the estimated discount rate applied to the discounted cash flows for the Group's cash-generating units ("CGU") had been 1% higher than management's estimates, the Group would have recognised a further impairment against goodwill by HK$183,000.

(c) 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 20 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised.

(d) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement 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, industrial tools and chemical products
Securities investment and trading:	Trading and investment of securities

Revenue during the year comprised the following:

	2007	2006
	HK$'000	*HK$'000*
Revenue from provision of construction project management services	2,311	11,283
Revenue from specialised construction contracts	345,961	206,727
Gross rental and management fee income from investment properties	17,042	14,249
Sales of lubricant oil, industrial tools and chemical products	65,892	64,931
Sales of securities investments held for trading	–	5,895
	431,206	303,085

Segment revenue and results

	Real estate development and project management		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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	2,311	11,283	345,961	206,727	17,042	14,249	65,892	64,931	–	5,895	431,206	303,085
Results												
Segment results	(14,498)	43,828	(18,118)	(3,432)	64,841	63,892	1,724	4,628	140,701	2,878	174,650	111,794
Unallocated costs											(12,120)	(3,561)
Operating profit											162,530	108,233
Finance costs											(1,579)	(948)
Income tax											(1,453)	(1,440)
Profit for the year											159,498	105,845

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

Segment assets and liabilities

	Real estate development and project management		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	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	2,074,515	653,950	219,521	149,018	343,522	293,017	26,581	26,505	–	136,191	2,664,139	1,258,681
Unallocated corporate assets											96,627	16,485
Total assets											2,760,766	1,275,166
Liabilities												
Segment liabilities	899,860	46,182	191,455	99,446	5,785	5,442	5,379	5,024	–	–	1,102,479	156,094
Unallocated corporate liabilities											584,951	301,243
Total liabilities											1,687,430	457,337

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

Other segment information

	Real estate development and project management		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Unallocated		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	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	2,907	1,031	1,368	1,718	257	159	477	640	–	–	175	1,030	5,184	4,578
Depreciation	308	419	398	296	66	66	713	626	–	–	1,061	828	2,546	2,235
Revaluation gain on investment properties	–	–	–	–	50,480	52,670	–	–	–	–	–	–	50,480	52,670
Write-back of provision for properties under development	–	36,276	–	–	–	–	–	–	–	–	–	–	–	36,276
Impairment loss/(reversal of impairment loss)	–	–	17,929	5,267	–	(109)	1	16	–	–	(528)	(15,385)	17,402	(10,211)

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, 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	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	60,121	44,714	370,811	258,001	274	370	431,206	303,085
Segment assets	383,683	450,038	2,280,456	808,643	–	–	2,664,139	1,258,681
Capital expenditure	521	1,047	4,663	3,531	–	–	5,184	4,578

6 OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Gain on disposal of available-for-sale financial assets (a)	140,911	–
Interest income from bank deposits	8,645	1,562
Gain on disposal of property, plant and equipment	–	256
Others	1,458	1,049
	151,014	2,867

(a) The amount represents the gain on disposal of 7,200,000 ordinary shares in China Merchants China Direct Investments Limited at HK$22 per share for a cash consideration of HK$158,400,000 in January 2007. Further details of the transaction have been published in the Company's announcement dated 9 January 2007.

7 OPERATING PROFIT

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

	2007 *HK$'000*	2006 *HK$'000*
Gross rental and management fee income from investment properties	(17,042)	(14,249)
Less: outgoings	2,662	2,998
	(14,380)	(11,251)
Amortisation of land lease premium	6,999	3,611
Less: amount capitalised into properties under development	(6,999)	(3,611)
	–	–
Depreciation	2,546	2,235
Operating lease charges – minimum lease payment in respect of land and buildings	5,813	4,886
Cost of inventories sold	35,511	35,591
Auditor's remuneration	2,723	2,306
Net foreign exchange gain	(26,609)	(9,626)
Employee benefit expense (including directors' emoluments) *(Note 8)*	50,149	35,435
Provision/(write-back of provision) for inventory obsolescence	1,150	(238)
Provision for impairment of receivables	4,226	2,420
Write-back of receivables previously written-off	(546)	(15,658)

8 EMPLOYEE BENEFIT EXPENSE

	2007 *HK$'000*	2006 *HK$'000*
Wages and salaries	48,301	34,953
Provision/(reversal of over-provision) for unutilised annual leaves	1,244	(206)
Provision for long service payment	122	97
Pension costs – defined contribution plans *(Note 29)*	482	591
	50,149	35,435

(a) Directors' emoluments

The remuneration of each director of the Company ("Director", collectively "Directors") for the year ended 31 December 2007 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	–	–	–	–	–
Mr. Qian Wenchao	–	–	–	–	–
Mr. He Jianbo *(note (i))*	–	–	–	–	–
Mr. Wang Xingdong *(note(ii))*	–	1,430	–	–	1,430
Mr. Yan Xichuan	–	1,300	–	60	1,360
Mr. Yin Liang	–	1,040	–	–	1,040
Ms. He Xiaoli	–	1,040	–	–	1,040
Mr. Lam Chun, Daniel	300	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	310
Ms. Tam Wai Chu, Maria	300	–	–	–	300
	910	4,810	–	60	5,780

The remuneration of each Director 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 (iv))*	–	–	–	–	–
Mr. Lin Xizhong *(note (iii))*	–	–	–	–	–
Mr. Qian Wenchao	–	–	–	–	–
Mr. Wang Xingdong	–	1,374	–	–	1,374
Mr. Yan Xichuan	–	1,200	–	60	1,260
Mr. Yin Liang	–	–	–	–	–
Ms. He Xiaoli	–	960	–	–	960
Mr. Lam Chun, Daniel	300	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	310
Ms. Tam Wai Chu, Maria	300	–	–	–	300
	910	3,534	–	60	4,504

During the year, no Directors waived or agreed to waive any emoluments (2006: HK$290,000).

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 (2006: Nil).

notes:

(i) Appointed on 7 December 2007

(ii) Resigned on 7 December 2007

(iii) Resigned on 28 February 2006

(iv) Appointed on 28 February 2006

(b) Five highest-paid individuals

The five highest-paid individuals in the Group for the year ended 31 December 2007 included three (2006: three) Executive Directors whose emoluments are disclosed in (a) above. Details of the emoluments of the remaining two (2006: two) individuals during the year are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	3,661	2,792
Bonuses	1,482	103
Employer's contributions to pension schemes	234	234
	5,377	3,129

The emoluments fell within the following bands:

	2007	**2006**
HK$1,000,001 – HK$1,500,000	–	1
HK$1,500,001 – HK$2,000,000	1	1
HK$3,000,001 – HK$3,500,000	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 (2006: Nil).

9 FINANCE COSTS

	2007	**2006**
	HK$'000	*HK$'000*
Bank borrowings		
Wholly repayable within five years	9,673	6,123
Other loans		
Wholly repayable within five years	20,490	4,283
	30,163	10,406
Less: amount capitalised into properties under development (a)	(28,584)	(9,458)
	1,579	948

(a) Borrowing costs were capitalised at rates ranging from 4.21% to 8.96% (2006: 5.58% to 6.14%) per annum.

10 INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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.

	2007	**2006**
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Provision for the year	153	–
Over-provision in respect of prior years	–	(76)
	153	(76)
Current tax – Overseas		
Provision for the year	245	1,621
Deferred tax		
Recognition/(reversal) of temporary differences *(Note 27)*	1,055	(105)
Income tax	1,453	1,440

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:

	2007	**2006**
	HK$'000	*HK$'000*
Profit before tax	160,951	107,285
Tax calculated at domestic tax rates applicable to profits in the respective countries	28,134	20,143
Over-provision of income tax in respect of prior years	–	(76)
Recognition/(reversal) of deferred tax	1,055	(105)
Income not subject to tax	(38,496)	(20,089)
Expenses not deductible for tax purposes	3,926	1,515
Utilisation of previously unrecognised tax losses	(1,683)	(3,574)
Unrecognised tax losses	8,517	3,626
Income tax	1,453	1,440

The weighted average applicable tax rate was 17.5% (2006: 18.8%). The decrease 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

Profit attributable to equity holders of the Company includes a profit of approximately HK$99,062,000 (2006: HK$176,341,000) 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$162,653,000 (2006: HK$105,845,000) by the weighted average number of 773,340,356 ordinary shares (2006: 772,181,783 ordinary shares) in issue during the year.

There were no dilutive potential shares in existence during the year (2006: Nil).

13 DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006: 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*
Year ended 31 December 2007						
Opening net book amount	10,247	580	1,196	2,981	2,541	17,545
Exchange differences	–	–	58	99	92	249
Additions	1,645	521	1,229	1,114	215	4,724
Acquisition of a subsidiary	–	–	–	460	–	460
Disposal	–	–	–	(66)	(51)	(117)
Provision for impairment	–	(10)	(8)	–	–	(18)
Depreciation	(314)	(529)	(271)	(806)	(626)	(2,546)
Closing net book amount	11,578	562	2,204	3,782	2,171	20,297
At 31 December 2007						
Cost	13,459	9,122	4,613	8,624	6,867	42,685
Accumulated depreciation and impairment	(1,881)	(8,560)	(2,409)	(4,842)	(4,696)	(22,388)
Net book amount	11,578	562	2,204	3,782	2,171	20,297

	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
Disposal	–	–	–	(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:

	2007	2006
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Long-term leases (over 50 years)	6,554	6,737
In the PRC, held on:		
Long-term leases (over 50 years)	5,024	3,510
	11,578	10,247

Leasehold land and buildings with carrying amounts of approximately HK$6,554,000 (2006: HK$6,737,000) have been pledged as securities for bank borrowings *(Note 26(a))*.

15 INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Balance at 1 January	290,769	239,899
Transfer from property, plant and equipment	–	1,800
Transfer to property, plant and equipment	–	(3,600)
Revaluation gain	50,480	52,670
Balance at 31 December	341,249	290,769

The investment properties were revalued at 31 December 2007 by Vigers Appraisal & Consulting Limited and RHL Appraisal Limited, independent firms 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:

	2007	2006
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Long-term leases (over 50 years)	341,249	290,769

Investment properties with carrying amounts of approximately HK$341,249,000 (2006: HK$290,769,000) have been pledged as securities for bank borrowings (Note 26(a)).

16 GOODWILL

(a) Goodwill arising from acquisitions are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Balance at 1 January	20,095	19,383
Exchange differences	979	712
Impairment	(12,554)	–
Balance at 31 December	8,520	20,095

(b) Impairment test for goodwill

Goodwill is allocated to the CGU identified according to business segment as follows:

	2007	2006
	HK$'000	*HK$'000*
Specialised construction	8,520	20,095

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 the following information with reference to past performance and expectation for market development.

	2007	2006
Estimated growth rate	-10.00%	8.00%
Discount rate	7.47%	6.12%

The calculations are carried out on the assumption that the relevant operating licence which is due to expire within the next year will be duly renewed.

An impairment loss is recognised during the year. The increasingly tough and competitive business environment led to adverse changes in the assumptions used in the calculation of the CGU's recoverable amount causing its recoverable amount to become less than the carrying amount.

17 SUBSIDIARIES

(a) Investments in subsidiaries

	Company 2007	Company 2006
	HK$'000	*HK$'000*
Unlisted share investments, at cost	695,296	695,296
Less: provision for impairment in value	(621,016)	(682,595)
	74,280	12,701

(b) Loans to subsidiaries

	Company 2007	Company 2006
	HK$'000	*HK$'000*
Loans to subsidiaries	49,584	49,518
Less: provision for impairment of loans to subsidiaries	(47,800)	(47,800)
	1,784	1,718

Loans to subsidiaries of approximately HK$47,800,000 (2006: HK$47,800,000) 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 2007	Company 2006
	HK$'000	*HK$'000*
Amounts due from subsidiaries	1,080,342	1,081,582
Less: provision for impairment of amounts due from subsidiaries	(319,231)	(335,661)
	761,111	745,921

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 2007:

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
Bright Circle Limited	Hong Kong	10,000 shares of HK$1 each	–	100	Property investment
Condo (Hong Kong) Decoration Engineering Company Limited	Hong Kong	1 share of HK$1	–	100	Design and installation of curtain walls
Dongguan Bridgman Fire Doors Limited *(note (ii))*	PRC	RMB12,062,711	–	100	Manufacturing of fire-proof doors
Dragon Construction (Nanjing) Properties Co., Ltd. *(note (iii))*	PRC	US$6,600,000	–	71	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
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, industrial tools and chemical products
Linkcheer Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Minmetals Land (China) Limited (formerly known as Oriental Dragon Group Limited)	Hong Kong/ Hong Kong and PRC	2 shares of HK$1 each	–	100	Provision of management service

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
ONFEM Finance Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	100	–	Provision of financing for group companies
Minmetals Land Investments Limited (formerly known as ONFEM Investments Limited)	British Virgin Islands/ Hong Kong	100 shares of US$10 each	100	–	Investment holding
Oriental Dragon Construction Limited	Hong Kong/ Hong Kong and PRC	10,000 shares of HK$1 each	–	71	Investment holding
Shanghai Jin Qiao Condo Decoration Engineering Co., Ltd. *(note (iv))*	PRC	US$2,040,000	–	100	Design and installation of curtain walls and aluminium 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
湖南嘉和日盛房地產開發有限公司 *(note (vi))*	PRC	RMB380,000,000	–	51	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 2007.

(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 Co., Ltd., a wholly-owned subsidiary of Oriental Dragon Construction Limited, is a foreign investment enterprise established in the PRC with an operating period of 15 years up to 2021.

(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 23 years up to 2022.

(vi) 湖南嘉和日盛房地產開發有限公司 is a Sino-foreign equity joint venture established in the PRC with an operating period of 20 years up to 2027.

18 INVENTORIES

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Manufacturing and trading stocks		
Raw materials	6,384	6,389
Finished goods	4,253	3,232
	10,637	9,621
Less: provision for inventory obsolescence	(3,671)	(2,521)
Manufacturing and trading stocks, net	6,966	7,100
Properties under development – located in the PRC (a)	1,304,870	481,507
	1,311,836	488,607

(a) Properties under development

	2007	**2006**
	HK$'000	*HK$'000*
Land costs	835,083	290,284
Construction in progress	469,787	191,223
	1,304,870	481,507

Properties under development with carrying amounts of approximately HK$476,132,000 (2006: HK$308,836,000) have been pledged as securities for bank borrowings *(Note 26(a))*.

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and contract receivables, net (a)	149,057	105,244	–	–
Retention receivables *(Note 20)*	35,943	22,590	–	–
Deposits	7,713	31,211	92	38
Prepayments (b)	61,727	818	421	276
Others	8,478	7,366	47	11
	262,918	167,229	560	325

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	27,045	15,752	560	325
RMB	235,873	148,522	–	–
US dollar	–	2,955	–	–
	262,918	167,229	560	325

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
0 – 30 days	62,949	38,146
31 – 60 days	37,634	12,978
61 – 90 days	15,277	8,075
Over 90 days	43,835	63,854
	159,695	123,053
Less: provision for impairment of receivables	(10,638)	(17,809)
	149,057	105,244

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.

Trade receivables and contract receivables that are less than six months and one year past due are generally not considered impaired respectively. At 31 December 2007, trade and contract receivables of approximately HK$136,311,000 (2006: HK$90,217,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2007	2006
	HK$'000	*HK$'000*
Past due days		
0 – 90 days	103,313	44,210
Over 90 days	32,998	46,007
	136,311	90,217

At 31 December 2007, trade receivables and contract receivables of approximately HK$10,638,000 (2006: HK$17,809,000) were impaired and provision for impairment was made. The individually impaired receivables mainly relate to construction customers, which are in unexpected difficult economic situations. The aging of these receivables is as follows:

	2007	2006
	HK$'000	*HK$'000*
Past due days		
Over six months	10,638	17,809

Movements in the provision for impairment of trade and contract receivables are as follows:

	2007	2006
	HK$'000	*HK$'000*
At 1 January	17,809	15,389
Exchange differences	311	–
Provision for impairment	4,226	2,420
Receivables written off during the year as uncollectible	(11,708)	–
	10,638	17,809

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement.

(b) Prepayments include prepaid taxes and other charges of approximately HK$55,869,000 (2006: Nil) in relation to the deferred revenue received.

The other classes within trade and other receivables do not contain past due or impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20 CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	312,796	184,406
Less: progress billings	(311,921)	(183,789)
Gross amounts due from customers for contract work	875	617

At 31 December 2007, retentions held by customers for contract work included in trade and other receivables of the Group under Note 19 amounted to approximately HK$35,943,000 (2006: HK$22,590,000).

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Balance at 1 January	136,080	29,340
Revaluation surplus transferred to equity	–	106,740
Disposal	(136,080)	–
Balance at 31 December	–	136,080

Available-for-sale financial assets include the following:

	2007	**2006**
	HK$'000	*HK$'000*
Listed securities:		
Equity securities – in Hong Kong, at fair value	–	136,080
Unlisted securities, at cost	243,600	243,600
Less: provision for impairment in value	(243,600)	(243,600)
	–	–
Market value	–	136,080

22 PLEDGED DEPOSITS

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	5,000	5,000	5,000	5,000
RMB	12,850	31,994	–	–
	17,850	36,994	5,000	5,000
Maximum exposure to credit risk	17,850	36,994	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 2007, the pledged deposits carried interest at rates ranging from 3.00% to 3.43% (2006: 2.25% to 3.40%) per annum.

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks	796,673	116,037	18,863	2,605
Cash on hand	111	64	20	–
Cash and bank deposits (a)	796,784	116,101	18,883	2,605
Bank overdraft *(Note 26)*	(101)	(3,516)	–	–
	796,683	112,585	18,883	2,605
Maximum exposure to credit risk	796,673	116,037	18,863	2,605

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	37,010	7,534	18,680	2,048
RMB	759,544	107,932	–	–
Other currencies	230	635	203	557
	796,784	116,101	18,883	2,605

24 SHARE CAPITAL

	2007		2006	
	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				
Balance at 1 January	772,182	77,218	772,182	77,218
Issue of shares on exercise of share options	1,650	165	–	–
Balance at 31 December	773,832	77,383	772,182	77,218

During the year, the Company issued 1,650,000 ordinary shares of HK$0.1 each at HK$0.83 per share as a result of the exercise of share options. All the shares issued during the year ranked pari passu with the existing shares in all respects.

(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. Detailed 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 2007, all share options granted were expired.

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

	Number of share options	
	2007	**2006**
	('000)	*('000)*
Balance at 1 January	14,800	20,100
Exercised	(1,650)	–
Lapsed	(13,150)	(5,300)
Balance at 31 December	–	14,800

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 2006	409,738	600,412	769	12,420	3,104	(503,627)	522,816
Revaluation surplus of available-for-sale financial assets	–	–	–	106,740	–	–	106,740
Currency translation adjustments	–	–	–	–	5,210	–	5,210
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
Issue of shares on exercise of share options	1,204	–	–	–	–	–	1,204
Disposal of available-for-sale financial assets	–	–	–	(119,160)	–	–	(119,160)
Currency translation adjustments	–	–	–	–	15,399	–	15,399
Profit for the year	–	–	–	–	–	162,653	162,653
Balance at 31 December 2007	410,942	600,412	769	–	23,713	(235,129)	800,707

(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 2006	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
Issue of shares on exercise of share options	1,204	–	–	–	1,204
Profit for the year	–	–	–	99,062	99,062
Balance at 31 December 2007	410,942	575,220	769	(205,297)	781,634

(c) Contributed surplus mainly represents the excess of the fair value of shares in Minmetals Land Investments Limited (formerly known as "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 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 2007, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$370,692,000 (2006: HK$271,630,000).

26 BORROWINGS

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Non-current		
Bank borrowings, secured (a)	–	99,640
Loan from a minority investor of a subsidiary, unsecured *(Note 33)*	204,923	–
	204,923	99,640
Current		
Bank overdrafts, secured	101	3,516
Bank loans, secured	273,798	86,601
Bank borrowings, secured (a)	273,899	90,117
Loans from a fellow subsidiary, secured *(Note 33)*	87,601	81,705
	361,500	171,822
Total borrowings	566,423	271,462

(a) Banking facilities

The Group's aggregate banking facilities, including bank borrowings, at 31 December 2007 amounted to approximately HK$330,456,000 (2006: HK$308,122,000), of which the unutilised facilities as at the same date amounted to approximately HK$37,414,000 (2006: HK$103,224,000). Securities for the facilities include:

(i) fixed deposits of the Group of approximately HK$17,850,000 (2006: HK$36,994,000), including that of the Company of approximately HK$5,000,000 (2006: HK$5,000,000);

(ii) leasehold land and buildings and investment properties with carrying amounts of approximately HK$6,554,000 (2006: HK$6,737,000) and HK$341,249,000 (2006: HK$290,769,000) respectively;

(iii) properties under development with carrying amounts of approximately HK$476,132,000 (2006: HK$308,836,000); 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		Loan from a minority investor of a subsidiary	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	273,899	90,117	87,601	81,705	–	–
In the second year	–	99,640	–	–	204,923	–
	273,899	189,757	87,601	81,705	204,923	–

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

	2007		2006	
	HK$	*RMB*	*HK$*	*RMB*
Non-current				
Bank borrowings	–	–	–	7.56%
Loan from a minority investor of a subsidiary	–	7.56%	–	–
Current				
Bank overdrafts	6.75%	–	7.75%	–
Bank loans	4.21%	8.79%	5.00%	6.12%
Loans from a fellow subsidiary	–	6.92%	–	6.14%

The fair values of borrowings equal their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using the borrowings rate of 6.42% (2006: 6.55%) per annum.

(d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong dollar	201,255	74,673
RMB	365,168	196,789
	566,423	271,462

27 DEFERRED TAX

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Deferred tax assets	–	932
Deferred tax liabilities	(123)	–
	(123)	932

The net movements on the deferred tax are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Balance at 1 January	932	827
Recognised in the consolidated income statement	(1,055)	105
Balance at 31 December	(123)	932

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Tax losses	
	2007	**2006**
	HK$'000	*HK$'000*
Balance at 1 January	932	932
Recognised in the consolidated income statement	(932)	–
Balance at 31 December	–	932

Deferred tax liabilities

	Valuation of properties	
	2007	**2006**
	HK$'000	*HK$'000*
Balance at 1 January	–	105
Recognised in the consolidated income statement	123	(105)
Balance at 31 December	123	–

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 2007, the Group had unrecognised tax losses in Hong Kong of approximately HK$147,724,000 (2006: HK$140,173,000) to carry forward against future taxable income; these tax losses have no expiry date. In addition, the Group had unrecognised tax losses in the PRC of approximately HK$5,321,000 as at 31 December 2007 (2006: HK$18,336,000); these tax losses will expire within 5 years.

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Trade, bills and contract payables (a)	151,531	107,176	–	–
Retention payables	29,998	21,176	–	–
Accruals and other payables	55,135	29,632	2,585	2,333
Provisions (b)	–	–	16	7,351
Rental deposits received	1,571	2,917	–	–
Other deposits received	–	7,422	–	–
Amounts due to a minority investor of a subsidiary	7,422	–	–	–
Amount due to a fellow subsidiary *(Note 33)*	21,946	–	–	–
	267,603	168,323	2,601	9,684

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Hong Kong dollar	41,982	31,027	2,601	9,684
RMB	224,596	136,810	–	–
US dollar	227	74	–	–
Other currencies	798	412	–	–
	267,603	168,323	2,601	9,684

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

	Group	
	2007	**2006**
	HK\$'000	*HK\$'000*
0 – 30 days	47,493	23,499
31 – 60 days	32,234	6,773
61 – 90 days	17,871	4,914
Over 90 days	53,933	71,990
	151,531	107,176

(b) Provisions

	Company	
	2007	**2006**
	HK\$'000	*HK\$'000*
Balance at 1 January	7,351	18,237
Unused amounts reversed	(7,335)	(10,886)
Balance at 31 December	16	7,351

The amount represents the provision made for corporate guarantees in respect of banking facilities extended to subsidiaries.

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.

Before 1 December 2000, a defined contribution pension scheme was provided to certain eligible employees ("Employees") employed by the Group. The Group was required to make monthly contributions to the scheme at 5% of the Employees' monthly salary but had ceased the contributions since 1 December 2000. 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, the Company and each of the Hong Kong subsidiaries of the Company make monthly contributions to the MPF at 5% of the employees' cash income as defined under the MPF legislation. Contributions by both of the Company/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 are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Forfeited contributions totalling approximately HK$26,000 (2006: HK$75,000) were utilised during the year and there were no unutilised forfeited contributions available as at 31 December 2007 (2006: Nil).

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 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2007	2006
	HK$'000	*HK$'000*
Profit before tax	160,951	107,285
Interest income	(8,645)	(1,562)
Interest expense	1,579	948
Depreciation	2,546	2,235
Revaluation gain on investment properties	(50,480)	(52,670)
Write-back of provision for properties under development	–	(36,276)
Provision for impairment of goodwill	12,554	–
Provision for impairment of property, plant and equipment	18	1,902
Gain on disposal of property, plant and equipment	–	(256)
Provision/(write-back of provision) for inventory obsolescence	1,150	(238)
Provision for impairment of receivables	4,226	2,420
Gain on disposal of available-for-sale financial assets	(140,911)	–
Gain on sales of financial assets at fair value through profit or loss	–	(3,117)
Operating (loss)/profit before working capital changes	(17,012)	20,671
(Increase)/decrease in other assets	(240)	152
Increase in inventories	(215,952)	(227,839)
Decrease/(increase) in trade and other receivables	53,665	(3,128)
(Increase)/decrease in gross amounts due from customers for contract work	(258)	127
Increase in trade and other payables	98,953	10,723
Increase in deferred revenue	833,245	–
Increase/(decrease) in other liabilities	2,073	(994)
Exchange adjustments	17,723	4,444
Cash generated from/(used in) operations	772,197	(195,844)

(b) Acquisition of a subsidiary

	2007
	HK$'000
Net assets acquired	
Property, plant and equipment	460
Inventories	579,843
Trade and other receivables	153,580
Cash and bank deposits	73,840
Trade and other payables	(327)
Short-term borrowings	(410,748)
Minority interest	(194,848)
Satisfied by	
Cash	201,800

Analysis of the net cash outflow in respect of the acquisition of a subsidiary:

	2007
	HK$'000
Cash and bank deposits acquired	73,840
Less: cash consideration	(201,800)
Net cash outflow in respect of the acquisition of a subsidiary	(127,960)

31 FINANCIAL GUARANTEES

At 31 December 2007, the Company had executed corporate guarantees amounting to approximately HK$253,867,000 (2006: HK$195,991,000) to various banks in respect of banking facilities extended to subsidiaries. At 31 December 2007, the utilised facilities, under which corporate guarantees from the Company were given, amounted to approximately HK$216,453,000 (2006: HK$92,767,000).

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Company and the outstanding mortgage loans under these guarantees amounted to approximately HK$346,887,000 as at 31 December 2007 (2006: Nil).

32 COMMITMENTS

(a) Property development commitments of the Group outstanding at 31 December 2007 were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Contracted but not provided for	338,338	160,478

At 31 December 2007, the Group and the Company did not have any outstanding capital commitments (2006: Nil).

(b) At 31 December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Not later than 1 year	4,539	5,691
Later than 1 year but not later than 5 years	5,279	4,806
After 5 years	1,278	2,053
	11,096	12,550

At 31 December 2007, the Company did not have any operating lease commitments (2006: 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 2007, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Not later than 1 year	17,663	11,705
Later than 1 year but not later than 5 years	15,701	6,575
	33,364	18,280

At 31 December 2007, the Company did not have any future lease receipts (2006: 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

	2007	**2006**
	HK$'000	*HK$'000*
Construction project management service revenue from a fellow subsidiary *(note (i))*	2,467	11,662
Specialised construction revenue from related companies *(note (ii))*	152,886	15,074
Construction costs to a fellow subsidiary for a real estate development project *(note (iii))*	22,540	–
Construction costs to a related company for a real estate development project *(note (ii))*	66,846	21,270
Rental expenses and license fees paid to fellow subsidiaries *(note (iv))*	1,536	1,614
Loan interest costs to a minority investor of a subsidiary *(note (v))*	13,504	–
Loan interest costs to a fellow subsidiary *(note (vi))*	5,832	4,668
Interest costs to a fellow subsidiary *(note (vii))*	559	–
Loan interest costs to related companies *(note (ii))*	8,669	5,014
Payment to local governments in the PRC for settlement of land costs *(note (ii))*	517,271	175,880

(b) Balances with related parties

	2007	2006
	HK$'000	*HK$'000*
Contract receivable from a fellow subsidiary for construction project management services *(note (i))*	4,447	9,574
Contract and other receivables from related companies for specialised construction contracts *(note (ii))*	48,305	11,623
Contract payable to a fellow subsidiary for a real estate development project *(note (iii))*	8,800	–
Contract payable to a related company for a real estate development project *(note(ii))*	3,383	35,797
Contract and retention payables to a related company for a specialised construction contract *(note (ii))*	–	3,046
Long-term loan from a minority investor of a subsidiary *(note (v))*	204,923	–
Short-term loans from a fellow subsidiary *(note (vi))*	87,601	81,705
Amount due to a fellow subsidiary *(note (vii))*	21,946	–
Bank borrowings from related companies *(note (ii))*	265,353	174,313

(c) Key management compensation

	2007	2006
	HK$'000	*HK$'000*
Salaries and short-term employee benefits	5,720	4,444
Pension costs – defined contribution plans	60	60
	5,780	4,504

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. 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 the Group. To balance the cost and benefit in making disclosure, the Group has only disclosed material transactions with such State-controlled enterprises.

(iii) Details of the construction contract dated 31 July 2007 entered into between a subsidiary and a fellow subsidiary of the Company have been published in the Company's announcement dated 31 July 2007. The transaction constituted a connected transaction as defined in the Listing Rules.

(iv) Rental expenses and license fees paid to fellow subsidiaries of the Company were based on the agreements entered into between the parties involved with reference to market rates. The transactions constituted continuing connected transactions as defined in the Listing Rules.

(v) The unsecured, long-term loan from a minority investor of a non wholly-owned subsidiary of the Company, bears interest at the floating rate for Renminbi 1-3 years term loans per annum as quoted by The People's Bank of China from time to time, and is repayable on 12 November 2009. The minority investor of the subsidiary is also an indirect subsidiary of China Minmetals. The transaction constituted connected transaction as defined in the Listing Rules.

(vi) The short-term loans from a fellow subsidiary made on 11 January 2007 and 19 March 2007, for working capital purposes to a subsidiary of the Company for a term of 1 year bearing interest at the rate of 6.732% and 7.029% per annum respectively, are secured by corporate guarantees from Minmetals HK. The short-term loans from the fellow subsidiary made on 11 January 2006 and 20 March 2006 bearing interest at the rate of 6.138% per annum were repaid during the year. The transactions constituted connected transactions as defined in the Listing Rules.

(vii) The amount due to a fellow subsidiary bears interest at the floating rate of 90% of the rate for Renminbi short-term loans per annum as quoted by The People's Bank of China from time to time, is unsecured and repayable on demand. The transaction constituted connected transaction as defined in the Listing Rules.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Set out below are the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2007, the statement of adjusted consolidated net tangible assets of the Group and the unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Group as at 31 December 2007 which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition as if it had taken place on 31 December 2007. 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 Acquisition been completed as at 31 December 2007 or at any future date.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

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 2007 as extracted from the annual report of the Company for the year ended 31 December 2007, and the audited balance sheet of Target as at 31 December 2007 as extracted from the accountant's report of Target as set out in Appendix I to this circular.

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2007	**Pro forma adjustments**			
		Audited statement of assets and liabilities of Target as at 31 December 2007	**Other pro forma adjustments**		**Pro forma consolidated balances of the Enlarged Group as at 31 December 2007**
	(Note 1)	*(Note 2)*		*Note*	
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Assets					
Non-current assets					
Property, plant and equipment	20,297	3,148	9,147	*3(b)*	32,592
Leasehold land	–	3,516	49,948	*3(b)*	53,464
Investment properties	341,249	648,100	(129,245)	*3(a)*	801,009
			(59,095)	*3(b)*	
Goodwill	8,520	–			8,520
Other assets	437	804			1,241
	370,503	655,568			896,826

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2007	Pro forma adjustments			
		Audited statement of assets and liabilities of Target as at 31 December 2007	Other pro forma adjustments		Pro forma consolidated balances of the Enlarged Group as at 31 December 2007
	(Note 1)	*(Note 2)*		*Note*	
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Current assets					
Amount due from an intermediate holding company	–	122			122
Inventories	1,311,836	–			1,311,836
Trade and other receivables	262,918	341			263,259
Gross amounts due from customers for contract work	875	–			875
Financial assets at fair value through profit or loss	–	64,376			64,376
Income tax recoverable	–	707			707
Pledged deposits	17,850	–			17,850
Cash and bank deposits	796,784	16,192			812,976
	2,390,263	81,738			2,472,001
Total assets	2,760,766	737,306			3,368,827
Liabilities					
Non-current liabilities					
Borrowings	204,923	–			204,923
Deferred tax liabilities	123	6,946			7,069
Other liabilities	8,299	2,170			10,469
	213,345	9,116			222,461
Current liabilities					
Amount due to immediate holding company	–	402,016	(343,428)	*3(a)*	–
			(58,588)	*3(c)*	
Amount due to a fellow subsidiary	–	–	58,588	*3(c)*	58,588
Trade and other payable	267,603	3,157			270,760
Deferred revenue	833,245	–			833,245
Current tax payables	11,737	–			11,737
Borrowings	361,500	–			361,500
	1,474,085	405,173			1,535,830
Total liabilities	1,687,430	414,289			1,758,291
Net assets attributable to the shareholders of the Company	878,090	323,017			1,415,290
Minority interests	195,246	–			195,246
Total equity	1,073,336	323,017			1,610,536

Notes:

1. The audited consolidated statement of assets and liabilities of the Group is based on the audited consolidated balance sheet of the Group as at 31 December 2007 as extracted from the annual report of the Company for the year ended 31 December 2007, which is set out in Appendix II to this circular.

2. The adjustment represented the inclusion of the statement of assets and liabilities of Target as at 31 December 2007 extracted from the accountant's report of Target as at 31 December 2007 as set out in Appendix I to this circular.

3. The pro forma adjustments reflect the following:

(a) Elimination of the shareholder's loan amounting to HK$343,428,000 and the allocation of acquisition cost amounting to approximately HK$537,200,000, representing the allotment and issue of 340,000,000 new Shares at HK$1.58 per share (being the closing market price of the Company's shares on 5 June 2008), between the individually identifiable assets and liabilities of Target based on their relative fair values at the date of acquisition pursuant to paragraph 4 of Hong Kong Financial Reporting Standard ("HKFRS") 3 "Business Combinations". (The Acquisition is considered as an acquisition of a group of assets and liabilities rather than a business, and is thus outside the scope of business combination as defined in HKFRS3.) Since the fair value of the Consideration Shares at the date of completion of the Acquisition may be substantially different from their fair values used in the preparation of the unaudited pro forma consolidated statement of assets and liabilities, the actual consideration arising from the Acquisition may be different from the estimated consideration.

The detailed allocation of acquisition cost by the directors of the Company to such individually identifiable assets and liabilities is as follows:

- significant financial assets, including the financial assets at fair value through profit or loss and cash and bank deposits – based on their quoted market price or at carrying amounts that approximate their fair values;

- shareholder's loan amounting to HK$343,428,000 – based on its carrying amount as stated in the circular;

- other assets and liabilities other than investment properties – based on their carrying amounts in view of insignificant amounts involved;

- investment properties – based on the remaining balance of unallocated cost, which resulted in a downward adjustment of HK$129,245,000 to the carrying value of the investment properties, calculated as follows:

	HK$'000
Acquisition cost	537,200
Shareholder's loan assumed	(343,428)
Carrying values of net assets acquired	(323,017)
	(129,245)

As a result, the investment properties presented for the purpose of the unaudited pro forma financial information are not stated at fair values as determined by the independent property valuers.

Since the fair values of individually identifiable assets and liabilities acquired at the date of completion of the Acquisition may be substantially different from their fair values used in the preparation of the unaudited pro forma consolidated statement of assets and liabilities, the final amounts of the fair values of the assets and liabilities may be different from those applied in the above allocation of the acquisition cost;

(b) Reclassification of investment properties to property, plant and equipment and leasehold land in respect of floors occupied by the Group as office premises, based on their relative market values as at 31 December 2007, as advised by the independent property valuers; and

(c) Reclassification of amount owing to Cheemimet Finance Limited from amount due to immediate holding company of Target to amount due to a fellow subsidiary of the Group following the completion of the Acquisition.

4. No adjustment has been made to reflect any trading result or other transaction of the Enlarged Group entered into subsequent to 31 December 2007.

B. STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP AND UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The statement of adjusted consolidated net tangible assets of the Group before completion of the Acquisition is compiled based on the audited consolidated balance sheet of the Group as at 31 December 2007 as set out in Appendix II to this circular. The statement of unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group after completion of the Acquisition is compiled based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2007 as set out in this Appendix:

Adjusted consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2007	Adjusted consolidated net tangible assets of the Group per Share as at 31 December 2007	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to the shareholders of the Company as at 31 December 2007	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per Share as at 31 December 2007
HK$'000	*HK$*	*HK$'000*	*HK$*
(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
869,570	1.12	1,406,770	1.26

Notes:

1. The adjusted consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2007 of HK$869,570,000 is extracted from the audited consolidated balance sheet of the Group as set out in Appendix II to this circular, which is based on the audited consolidated net assets of the Group attributable to the shareholders of the Company as at 31 December 2007 of HK$878,090,000 with an adjustment for the goodwill as at 31 December 2007 of HK$8,520,000.

2. The adjusted consolidated net tangible assets of the Group per Share as at 31 December 2007 is determined based on 773,832,000 Shares issued and outstanding as at 31 December 2007.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to the shareholders of the Company as at 31 December 2007 of HK$1,406,770,000 is extracted from the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in section A of this Appendix, which is based on the consolidated net assets of the Enlarged Group attributable to the shareholders of the Company as at 31 December 2007 of HK$1,415,290,000 with an adjustment for the goodwill as at 31 December 2007 of HK$8,520,000.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per Share as at 31 December 2007 is determined based on 1,113,832,000 Shares assumed to be issued and outstanding as at 31 December 2007, representing 773,832,000 existing Shares and 340,000,000 new Shares to be issued pursuant to the Acquisition.

(C) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF MINMETALS LAND LIMITED

We report on the unaudited pro forma financial information of the Enlarged Group set out on pages 115 to 118 under the headings of "Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group" and "Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 26 June 2008 (the "Circular") of Minmetals Land Limited (the "Company"), in connection with the proposed acquisition of the entire issued share capital of Texion Development Limited ("Target") and the benefits in the entire shareholder's loan due by Target (the "Acquisition") 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 Acquisition might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 115 to 118 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

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 audited consolidated statement of assets and liabilities of the Group as at 31 December 2007 with the audited consolidated financial statements of the Group as at 31 December 2007, 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 2007 or 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, 26 June 2008

INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2008, 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$974,379,000, comprising secured bank overdrafts of approximately HK$230,000, secured short-term bank loans of approximately HK$279,949,000, secured long-term bank loans of approximately HK$50,297,000, unsecured short-term loan from immediate holding company of approximately HK$343,428,000 (which will be eliminated upon the completion of the Acquisition), secured short-term loan from a fellow subsidiary of approximately HK$92,359,000 guaranteed by China Minmetals H.K. (Holdings) Limited, the intermediate holding company of the Company and unsecured long-term loans from a minority investor of a subsidiary of approximately HK$208,116,000.

Securities, charges and guarantees

As at the close of business on 30 April 2008, the Enlarged Group's aggregate banking facilities in respect of the bank borrowings, were approximately HK$330,476,000, which were secured by pledged deposits of the Enlarged Group of approximately HK$18,160,000; investment properties, leasehold land and buildings and properties under development of the Enlarged Group with carrying amounts of approximately HK$341,249,000, HK$6,493,000 and HK$779,440,000 respectively and corporate guarantees provided by the Company.

As at the close of business on 30 April 2008, the Enlarged Group has pledged a fixed deposit of approximately HK$12,624,000 to a bank for the issue of a performance bond to a main contractor of a property under development of the Enlarged Group and investment properties and leasehold land and buildings with carrying amounts of approximately HK$648,376,000 and HK$6,624,000 respectively to a bank for certain bank borrowings of an intermediate holding company.

As at the close of business on 30 April 2008, the Enlarged Group has provided guarantees in respect of mortgage facilities granted by certain banks in relation to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Company and the outstanding mortgage loans under these guarantees amounted to approximately HK$379,520,000.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 April 2008.

WORKING CAPITAL

After taking into account the available banking facilities and the internal resources of the Enlarged Group, the Directors are of the opinion that the Enlarged 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.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

With expanded real estate portfolio and stable rental income stream, it is expected that the future earnings of the Group will be enhanced after the Acquisition. The Directors believe that the overall environment for economic development in the PRC will remain sound with the national economy of the PRC continuous to grow in a steady manner. This in turn will create more opportunities of development for the Group. The Directors further believe that the Hong Kong property market will have substantial growth potential given strong economic fundamentals and vibrant consumer confidence. As a result, the Directors are cautiously optimistic towards the future development of the Group and its business operations in the PRC and Hong Kong in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS OF TARGET

Set out in Appendix I to this circular is the accountant's report on Target for each of the years ended 31st December 2005, 2006 and 2007 (the "Relevant Period"). Below is the management discussion and analysis on Target's performance during the Relevant Period.

Financial year ended 31 December 2007 ("FY2007") vs Financial year ended 31 December 2006 ("FY2006")

Revenue

Revenue increased to HK$34,014,603 in FY2007 from HK$21,044,741 in FY2006. The increase was mainly due to the increase in fair value gain in financial assets of HK$11,573,096 and an additional HK$893,171 of rental income.

Fair value gain on investment properties

Fair value gain on investment properties decreased to HK$80,600,000 in FY2007 from HK$98,800,000 in FY2006. The decrease was mainly due to slower growth in investment property market in Hong Kong in 2007.

Administrative expenses

Administrative expenses increased to HK$2,116,434 in FY2007 from HK$1,204,343 in FY2006. The increase was mainly because building management fees and rates went up by HK$651,513.

Net finance costs

Net finance costs increased to HK$17,899,468 in FY2007 from HK$2,671,489 in FY2006. The increase was mainly due to the HK$18,881,560 interest paid on the shareholder's loan, partly offset by the HK$399,157 increase in interest income.

Income tax

Income tax decreased to HK$2,204,486 in FY2007 from HK$2,912,072 in FY2006 due to lower profit before tax.

Profit for the year

As a result of the cumulative effects as described above, the profit decreased to HK$92,478,291 in FY2007 from HK$113,111,093 in FY2006.

Others

There is no significant investment, material acquisition or disposal of subsidiaries and associated companies, contingent liabilities or employment of staff in both FY2007 and FY2006.

Financial year ended 31 December 2006 ("FY2006") vs Financial year ended 31 December 2005 ("FY2005")

Revenue

Revenue increased to HK$21,044,741 in FY2006 from HK$20,198,225 in FY2005. The increase was mainly due to an additional HK$2,994,718 of rental income, partly offset by the decrease in fair value gain in financial assets of HK$1,493,793.

Fair value gain on investment properties

Fair value gain on investment properties increased to HK$98,800,000 in FY2006 from HK$57,900,000 in FY2005. The increase was mainly due to substantial growth in investment property market in Hong Kong in 2006.

Administrative expenses

Administrative expenses decreased to HK$1,204,343 in FY2006 from HK$1,483,972 in FY2005. The decrease was mainly because depreciation and amortization expenses and commission paid went down by HK$223,530 and HK$151,917 respectively, partly offset by higher building management fees and rates of HK$170,389.

Net finance costs

Net finance costs decreased to HK$2,671,489 in FY2006 from HK$5,775,863 in FY2005. The decrease was mainly because interest paid on bank borrowings went down by HK$3,309,086, partly offset by the HK$204,712 decrease in interest income.

Income tax

Income tax increased to HK$2,912,072 in FY2006 from HK$2,285,756 in FY2005 due to higher profit before tax.

Profit for the year

As a result of the cumulative effects as described above, the profit increased to HK$113,111,093 in FY2006 from HK$68,552,634 in FY2005.

Others

There is no significant investment, material acquisition or disposal of subsidiaries and associated companies, contingent liabilities or employment of staff in both FY2006 and FY2005.

FINANCIAL RESOURCES, CAPITAL STRUCTURE AND LIQUIDITY

For FY2005, Target had interest bearing bank borrowings of HK$112,500,000, which was repaid in 2006; and an interest-free shareholder's loan of HK$272,495,123 to fulfill working capital requirements. For FY2006, Target received an additional interest-free shareholder's loan of HK$73,092,570 to repay bank borrowings, bringing the total amount to HK$345,587,693. For FY2007, Target received an additional shareholder's loan of HK$56,427,982 to fulfill working capital requirements, bringing the total amount to HK$402,015,675, of which, HK$345,991,183 was interest bearing, with a fixed interest rate of 5.46% per annum.

Bank and cash balance of Target in FY2005, FY2006, and FY2007 were HK$33,907,716, HK$13,298,888 and HK$16,191,894, which were mainly denominated in Hong Kong dollars.

Target's gearing ratios were 3.28, 1.50 and 1.24 in FY2005, FY2006 and FY2007 respectively (calculated on the basis of dividing total debt by total equity).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Target was generally financed by bank borrowings and shareholder's loan, which were denominated in Hong Kong dollars. Given rental income and income from securities trading/ investment were also denominated in Hong Kong dollars, Target was not exposed to any foreign currency risk.

The following is the text of a letter and valuation prepared for the purpose of incorporation in this circular received from Knight Frank in connection with its valuation of the property interest to be acquired by the Company as at 31 March 2008.

Knight Frank 萊坊

Knight Frank Petty Ltd
4/F Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong
Tel: 2840 1177
Fax: 2840 0600

26 June 2008

The Directors
Minmetals Land Limited
18th Floor, China Minmetals Tower
79 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interest in Hong Kong to be acquired by Minmetals Land Limited (the "Company"), we confirm that we have carried out inspections, 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 property interest as at 31 March 2008 for the purpose of inclusion in this circular.

Our valuation of the property interest is our opinion of its 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 arms'-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

The Property is partly owner-occupied and partly held for investments. We have valued by reference to comparable market transactions and where appropriate on the basis of capitalization of the net income shown on the schedules handed to us. We have allowed for outgoings and in some cases made provisions for reversionary income potential. The owner-occupied portions have been valued assuming sale with vacant possession.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as statutory notices, easements, tenure, particulars of occupancy, floor areas and all other relevant matters. We have caused searches to be made at the Land Registry for those properties. However, we have not scrutinised the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We are also advised by the Company that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view. All documents and leases have been used as reference only and all dimensions, measurements and areas are approximate.

We have inspected the exterior of the Property. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Property is or is not free of rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

In preparing our valuation report, we have complied with "The HKIS Valuation Standards on Properties (First Edition 2005)" published by the Hong Kong Institute of Surveyors and all the requirements contained in the provisions of Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We enclose herewith our valuation.

Yours faithfully,
For and on behalf of
Knight Frank Petty Limited
Alex S L Ng
MHKIS MRICS RPS(GP)
Executive Director

Mr. Alex S L Ng, MRICS, MHKIS, RPS(GP), has been a qualified valuer with Knight Frank Petty Limited since November 1995 and has 22 years' experience in the valuation of properties in Hong Kong and has been involved in the valuation of properties in the People's Republic of China and Asia Pacific regions since 1988.

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2008
China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong The Remaining Portion of Kowloon Inland Lot No 10757, Kowloon Inland Lot No 8404, Kowloon Inland Lot No 7723, The Remaining Portion of Kowloon Inland Lot No 8840 and The Remaining Portion of Kowloon Inland Lot No 9544	The Property comprises a 20-storey (including a basement) commercial/office block erected on an irregular shaped site having a site area of approximately 785 square meters (8,450 square feet). It is bounded by Chatham Road South, Observatory Road and Kimberley Street in Tsimshatsui district. The Property was completed in 1991 and it was planned to have retail shops on Basement, Ground Floor, Upper Ground Floor, First Floor, Second Floor and Third Floor and office units from 5th Floor to 13th Floor and 15th Floor to 19th Floor (there being no designation as 4th Floor and 14th Floor). The total gross floor area and saleable area of the Property is approximately 10,788.2 square meters (116,124 square feet) and 7,755.6 square meters (83,481 square feet). The Property is held under one Conditions of Exchange and four Conditions of Re-grants each for a term of 150 years from 25 December 1982. The Government rents payable for the Kowloon Inland Lot No 8404 and Kowloon Inland Lot No 7723 are HK$126 and HK$216 per annum respectively whilst those for the whole of Kowloon Inland Lot No 10757, Kowloon Inland Lot No 8840 and Kowloon Inland Lot No 9544 are HK$1,000, HK$126 and HK$182 per annum respectively.	With the exception of Units 8 and 9 on Basement, having a total gross floor area of approximately 137.6 square meters (1,481 square feet) which are owner occupied by the registered owner for its own use, the remainder of the Property is either vacant or subject to various tenancies or licences mostly for terms of 2 years with the latest tenancy expiring in May 2010 at a total monthly rent of approximately HK$1,847,000 exclusive of rates and management fees.	HK$655,000,000

Notes:

(1) The registered owner of the Property is Texion Development Limited.

(2) The Property is subject to a Mortgage dated 18 December 2006 in favour of Industrial and Commercial Bank of China (Asia) Limited registered vide Memorial No 07010302390011.

(3) The Property is situated within an area zoned for “Commercial” use under Tsimshatsui Outline Zoning Plan No S/K1/22 dated 27 October 2006.

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, underlying Shares or debentures of the Company or 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 set out in Appendix 10 to the Listing Rules (the "Model Code"), or 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	Percentage of total issued Shares
Ms. He Xiaoli	Personal	20,000	0.0026%

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), 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, or as recorded in the register kept by the Company pursuant to section 352 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 Enlarged Group which is not terminable by the Enlarged 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 Enlarged 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 31 December 2007, 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 Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

5. NO VARIATION IN DIRECTOR'S REMUNERATION

There is no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the Company and MLI in consequence of the Acquisition.

6. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to the Directors and chief executive of the Company, there were no persons (other than a Director or chief executive of the Company), who had notified to the Company any interest or short position in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group.

Name of Shareholder	**Number of Shares held**	**Percentage of total issued Shares**
China Minmetals *(Note 1)*	416,585,852	53.83%
Minmetals HK *(Note 1)*	416,585,852	53.83%
June Glory *(Note 1)*	416,585,852	53.83%
Mr. Osbert Lyman *(Note 2)*	40,848,000	5.28%
Mr. Royson Lyman *(Note 2)*	40,848,000	5.28%
Mr. Elke Lu *(Note 2)*	40,848,000	5.28%
Strategic Power International Limited *(Note 2)*	40,848,000	5.28%
Delta Venture Holdings Limited *(Note 2)*	40,848,000	5.28%
Albertson Capital Limited *(Note 2)*	40,848,000	5.28%
Montpelier Asset Management Limited	39,728,000	5.13%

Notes:

1. These Shares are held by June Glory, a wholly-owned subsidiary of Minmetals HK, and Minmetals HK is wholly owned by China Minmetals.

2. These Shares are held by Albertson Capital Limited in which each of Strategic Power International Limited and Delta Venture Holdings Limited has a 50% interest. Strategic Power International Limited is owned as to 70% by Mr. Osbert Lyman and Delta Venture Holdings Limited is owned as to 50% by Mr. Royson Lyman and 50% by Mr. Elke Lu.

7. MATERIAL CONTRACTS

Saved as disclosed below, no material contracts (not being contract entered into in the ordinary course of business carried out by the Enlarged Group), have been entered into by any member of the Enlarged Group within the two years preceding the date of this circular:

– a joint venture agreement and a capital expansion agreement relating to the establishment of a joint venture to undertake the real estate development project by 湖南嘉和日盛房地產開發有限公司 (Translated name: Hunan Jiahe Risheng Property Development Co., Ltd.) ("Jiahe Risheng") dated 30 May 2007 and entered into between Minmetals Land (Changsha) Limited ("MLC"), 湖南嘉盛房地產開發有限責任公司 (Translated name: Hunan J&S Real Estate Development Co., Ltd.) ("JS") and 湖南嘉盛營銷策劃有限公司 (Translated name: Hunan J&S Sales & Marketing Co., Ltd.) ("JSS") respectively pursuant to which MLC and JS agreed to contribute cash to the registered capital of Jiahe Risheng and Jiahe Risheng changed its legal status to become a Sino-foreign equity joint venture company upon completion

8. 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. Yet, the Directors consider that this would not have any material financial impact on the Group as a whole.

(b) 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 on-going.

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.

As at the Latest Practicable Date, no receivables on nor provisions for the claims by the Company under this litigation case have been recorded or made by the Company. Yet, the Directors consider that this would not have any material financial impact on the Group as a whole.

Save as disclosed above, as at the Latest Practicable Date, none of the member of the Enlarged Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the company nor any of its subsidiaries.

9. MATERIAL CHANGES

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 2007, the date to which the latest published audited financial statements of the Group were made up.

10. 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
PricewaterhouseCoopers	Certified Public Accountants
Knight Frank	independent property valuers

(b) As at the Latest Practicable Date, Access Capital, PricewaterhouseCoopers and Knight Frank do not have any shareholding, directly or indirectly, in any member of the Enlarged 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 Enlarged Group.

(c) As at the Latest Practicable Date, Access Capital, PricewaterhouseCoopers and Knight Frank 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, PricewaterhouseCoopers and Knight Frank 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 Enlarged Group, nor which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2007, the date to which the latest published audited financial statements of the Enlarged Group were made up.

(e) The Letter of Advice from Access Capital set out in the section headed "Letter of Advice from Access Capital", the accountant's report prepared by PricewaterhouseCoopers set out in Appendix I and the valuation report prepared by Knight Frank set out in Appendix IV, are prepared for incorporation in this circular.

11. SHARE CAPITAL OF THE COMPANY

Authorised share capital:	*HK$*
2,000,000,000 ordinary shares of HK$0.1 each	200,000,000.00
Issued and fully paid as at the Latest Practicable Date:	
773,831,783 ordinary shares of HK$0.1 each	77,383,178.30
To be issued as fully paid upon Completion:	
340,000,000 ordinary shares of HK$0.1 each	34,000,000.00

All the Shares rank pari passu in all aspects, including all rights as to dividend, voting and interests in the share capital.

12. 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 branch share registrar of the Company is Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) 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.

(d) The Company is in the process of identifying a suitable candidate to the position of qualified accountant pursuant to the Listing Rules.

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

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents of the Enlarged Group 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 10 July 2008:

(a) the Acquisition Agreement;

(b) a tenancy agreement dated 20 February 2008 between Target and Eastern Master (HK) Limited (please refer to the paragraph headed "Relationship with China Minmetals and Continuing Connected Transactions" in the section headed "Letter from the Board" in this circular for details);

(c) a tenancy agreement dated 13 December 2007 between Target and Cheerglory Traders Limited (please refer to the paragraph headed "Relationship with China Minmetals and Continuing Connected Transactions" in the section headed "Letter from the Board" in this circular for details);

(d) a tenancy agreement dated 4 July 2007 between Target and the Vendor (please refer to the paragraph headed "Relationship with China Minmetals and Continuing Connected Transactions" in the section headed "Letter from the Board" in this circular for details);

(e) a tenancy agreement dated 4 July 2007 between Target and Minmetals HK (please refer to the paragraph headed "Relationship with China Minmetals and Continuing Connected Transactions" in the section headed "Letter from the Board" in this circular for details);

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

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

(h) 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;

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

(j) the accountant's report on Target, the text of which is set out in Appendix I to this circular;

(k) 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;

(l) the valuation report of the Property prepared by Knight Frank, the text of which is set out in Appendix IV to this circular;

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

(n) the annual reports of the Company for the two financial years ended 31 December 2006 and 31 December 2007 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, 2nd Floor, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 16 July 2008 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"THAT

(a) the Acquisition Agreement (as defined and described in the circular of the Company dated 26 June 2008 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; and

(b) 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 Acquisition Agreement with any changes as such director may consider necessary, desirable or expedient."

By Order of the Board of
Minmetals Land Limited
He Jianbo
Managing Director

Hong Kong, 26 June 2008

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

* *For identification purpose only*

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 register of members of the Company will be closed from Monday, 14 July 2008 to Wednesday, 16 July 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the abovementioned meeting, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 11 July 2008.

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