2007
Annual Report 年報

五礦建設有限公司*
MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code : 230

* For identification purpose only 僅供識別

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	6
Corporate Governance Report	14
Directors' and Senior Management's Profile	21
Report of the Directors	24
Independent Auditor's Report	33
Consolidated Income Statement	34
Consolidated Balance Sheet	35
Balance Sheet	37
Consolidated Statement of Changes in Equity	38
Consolidated Cash Flow Statement	39
Notes to the Consolidated Financial Statements	40
Group Properties	92
Five-Year Financial Summary	93
Glossary of Terms	94

CORPORATE INFORMATION

CHAIRMAN & NON-EXECUTIVE DIRECTOR

Mr. Zhou Zhongshu

DEPUTY CHAIRMAN

Mr. Qian Wenchao

MANAGING DIRECTOR

Mr. He Jianbo

DEPUTY MANAGING DIRECTORS

Mr. Yan Xichuan
Mr. Yin Liang

EXECUTIVE DIRECTOR

Ms. He Xiaoli

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Chun, Daniel
Mr. Selwyn Mar
Ms. Tam Wai Chu, Maria

QUALIFIED ACCOUNTANT

Ms. Yuen Wai Man, Shirine

COMPANY SECRETARY

Ms. Chung Wing Yee, Zoe

AUDITOR

PricewaterhouseCoopers
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PRINCIPAL BANKERS

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China Construction Bank Corporation

BRANCH SHARE REGISTRAR

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CHAIRMAN'S STATEMENT

Mr. Zhou Zhongshu — Chairman

I am pleased to present to you the annual report of the Group for the financial year ended 31 December 2007.

RESULTS

The Group's operating results as a whole continued to show improvement and recorded a net profit mainly as a result of the gain on disposal of an investment by the Group during the year under review. Profit attributable to equity holders of the Company increased from HK$105.8 million for the year ended 31 December 2006 to HK$162.7 million for the year ended 31 December 2007. Before revaluation gain on investment properties, profit attributable to equity holders of the Company increased to HK$112.2 million in 2007, representing an increase of 111.3% over that in 2006 (HK$53.1 million). Significantly, the cash flow and profit generated at the beginning of 2007 from the disposal of an investment of the Group not only provided an additional source of capital for the Group to develop its core business of real estate development business, but also improved the Group's financial position.

During the year under review, all of the residential units, 51% of the commercial space and 76% of the car parking space of The Grand Panorama Project in Zhuhai, the PRC, were pre-sold. The pre-sale of this project contributed HK$772.9 million to the cash flow of the Group in 2007. After handover of the project in the second half of 2008, operating results of The Grand Panorama Project will start to be reflected in the results of the Group in the financial year ending 31 December 2008 and thereafter. The northern part of phase I of our Laguna Bay Project in Nanjing, the PRC, commenced pre-sale in October 2007 and as at 31 December 2007, approximately 73% of the 290 residential units available for pre-sale had been contracted to be sold. In the fourth quarter of 2007, construction works for phase I of our real estate development project in Changsha also started. To date, our projects in Nanjing and Changsha have progressed satisfactorily.

RESULTS (Cont'd)

With regard to the other businesses of the Group, revenue from the curtain wall business in our specialised construction business segment achieved a year-on-year increase of 67.4% to HK$346.0 million for the year ended 31 December 2007. As our real estate development business continued to grow, we have achieved better collaboration between our real estate development and specialised construction businesses, for instance, by our Laguna Bay Project having awarded the supply and installation of aluminium windows contract to SJQ in October 2007. However, despite the growth in SJQ's revenue in 2007, the business environment of the curtain wall industry in the PRC remained tough and increasingly competitive. The Company would periodically review and make adjustments to SJQ's business strategies, if necessary. The results of our fire-proofing door and plaster business in the year under review was not satisfactory, and has caused our specialised construction business segment as a whole to continue to suffer an operating loss. During the year under review, we have further rationalised our fire-proofing door and plaster business by closing down the PRC fire-proofing door operation and reallocating resources to the profitable curtain wall business of the Group.

DEVELOPMENT STRATEGIES AND OUTLOOK

The main driver of our business continues to be real estate development activities. Apart from The Grand Panorama Project and the units of our Laguna Bay Project pre-sold in 2007, the Group's current real estate development projects are capable of generating a total attributable gross floor area of approximately 733,000 square metres available for sale in the next several years.

With regard to the PRC economy, year-on-year growth in GDP was up 11.4% in 2007 whilst the inflation rate reached 4.8%, well above the official target of 3%. The inflation rate in the PRC has shown a continuing rising trend by reaching a 11-year high of 8.7% in February 2008 on a year-on-year basis. In an attempt to moderate economic growth, the PRC Government continues to pursue a very tight monetary policy by raising interest rates and curbing lending from banks particularly for customers in the real estate development sector. Notwithstanding these cooling measures, economic commentators expect that the PRC could maintain strong growth of about 8% to 10% in 2008 even in the face of a likely slowdown of the economy of the United States of America. Furthermore, property prices in the PRC have a generally positive correlation with rising inflation expectations as property investments are a popular hedge against inflation. In conclusion, we are of the view that the property market in the PRC is undergoing consolidation and we remain optimistic on its long-term prospects.

Going forward, our key objectives are to continue to grow our real estate development business in the PRC by successfully completing our existing projects, whilst seeking to expand our land bank prudently in view of prevailing market conditions so as to support the future growth of the Group.

Since becoming the controlling shareholder of the Company, China Minmetals has been instrumental in setting strategies and directions for the Group's development. Our real estate development project in Changsha, the PRC, is a joint venture with a subsidiary of China Minmetals, Ershisanye Construction Group Co., Ltd. which has also been appointed as the main contractor for the construction of phase I of the Laguna Bay Project in Nanjing, the PRC. In pursuing our objectives as indicated above, we will strive to expand our collaboration with China Minmetals in order to further leverage on the strong financial base and extensive business connections of our controlling shareholder, as well as the Group's role as the Hong Kong-listed platform of China Minmetals in the property development sector. In 2007, China Minmetals recorded RMB155.2 billion in revenue with net profit of RMB6.8 billion. Being one of the largest State-owned conglomerates in the PRC, China Minmetals ranked 13th out of the 500 largest enterprises in the PRC ranked by the National Bureau of Statistics of the PRC and 435th on the Fortune Global 500 list ranked by Fortune Magazine in 2007. As our real estate development business continues to grow, we look forward to more opportunities for collaboration between the Group and our controlling shareholder, who is fully committed to supporting the Group's future growth.

DEVELOPMENT STRATEGIES AND OUTLOOK (Cont'd)

The Group's main strengths are the experience, local knowledge, expertise and judgement of its staff in planning and executing real estate development projects in the PRC and hence, we will continue to devote resources in upgrading the quality of our management team and the Group's overall competitiveness in an effort to further improve operational excellence. In addition, building upon the success of The Grand Panorama Project and the brand position of China Minmetals, the Group will strive to consolidate its brand recognition in order to underpin its future growth in real estate development in the PRC.

APPRECIATION

The year 2007 saw the departure of Mr. Wang Xingdong from the offices of Executive Director and Managing Director due to changes in work posting to the United States of America within China Minmetals group. On behalf of the Board, I would like to express our sincere gratitude to Mr. Wang for his valuable contributions and guidance over the years in taking the Group to its current stage of development, and to extend our warmest welcome to Mr. He Jianbo in joining the Board as an Executive Director and Managing Director.

Finally, I would like to thank my fellow Directors and employees for their dedication and hard work and to thank our Shareholders, business partners and customers for their continuing support in the past year.

Zhou Zhongshu
Chairman

Hong Kong, 1 April 2008

Mr. He Jianbo – Managing Director

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.

For the financial year ended 31 December 2007, consolidated revenue of the Group was HK$431.2 million, 42.3% higher than the comparable figure for the previous year (2006: HK$303.1 million), mainly benefiting from the significant increase in revenue for the specialised construction segment of the Group in 2007. This is the third consecutive year of improvement in total revenue of the Group since year 2004 and this has been achieved in the absence of contributions from our real estate development business.

Profit attributable to equity holders of the Company for the year under review was HK$162.7 million, up 53.7% over the comparable figure reported in 2006 of HK$105.8 million. In respect of investment properties, the Group continued to benefit from the robust property market in Hong Kong. For the year ended 31 December 2007, the Group recorded a revaluation gain on investment properties of HK$50.5 million whilst the comparable figure for 2006 was HK$52.7 million. Before inclusion of revaluation gain on investment properties, profit attributable to equity holders of the Company was HK$112.2 million, representing an increase of 111.3% over the previous year. The improvement in operating results of the Group in 2007 was mainly attributable to the increase in segment profit from the securities investment and trading business of HK$140.7 million, up from HK$2.9 million in 2006, which outweighed a decline in segment profits from other business segments of the Group. Basic earnings per share rose from 13.71 HK cents in 2006 to 21.03 HK cents in 2007.

TOTAL REVENUE BY BUSINESS SEGMENTS

	Year ended 31 December				Year-on-year
	2007		2006		**change**
	HK$'000	**%**	HK$'000	%	**%**
Real estate development and project management	**2,311**	**0.5**	11,283	3.7	**-79.5**
Specialised construction	**345,961**	**80.2**	206,727	68.2	**+67.4**
Property leasing	**17,042**	**4.0**	14,249	4.7	**+19.6**
Manufacturing and trading	**65,892**	**15.3**	64,931	21.4	**+1.5**
Securities investment and trading	**–**	**–**	5,895	2.0	**-100.0**
Total revenue	**431,206**	**100.0**	303,085	100.0	

REAL ESTATE DEVELOPMENT AND PROJECT MANAGEMENT BUSINESS

The portfolio of real estate development projects of the Group comprises three residential projects at staggered stages of development, ranging from early stage of construction to final stage of pre-sale. As regards the project management business, the Group had completed its sole project management service contract on hand in 2007.

During the year under review, revenue from this segment decreased 79.5% year-on-year from HK$11.3 million in 2006 to HK$2.3 million, whilst segment results recorded a loss of HK$14.5 million (2006: segment profit of HK$43.8 million or HK$7.5 million before write-back of provision for properties under development of HK$36.3 million).

Whilst The Grand Panorama Project had been substantially pre-sold and the pre-sale of phase I of Laguna Bay Project started at the end of 2007, none of the real estate development projects of the Group were completed in 2007. As revenue from the sale of our real estate development projects will only be recognised upon handover of the relevant property units, the revenue recorded under this business segment in 2007 was entirely derived from the project management activities in relation to the construction works of Jin Hai Building.

Pursuant to the Group's project management service contract with respect to the construction of Jin Hai Building, fee income of RMB36.6 million had already been recognised up to the end of 2006. Given the moderate amount of service fee remaining, the revenue recognised by the Group in 2007 from this service contract was substantially lower compared with that in the previous year.

Whilst there was no revenue recognised from our real estate development business activities in 2007, expenses incurred by the Group for the pre-sale of The Grand Panorama Project and phase I of the Laguna Bay Project, and administration overheads of our real estate development projects were charged to the consolidated financial statements of the Group, accounting for a large proportion of the loss in this business segment.

The Grand Panorama Project, Zhuhai, Guangdong Province, the PRC

The Grand Panorama Project is located on Qinglu Zhonglu in Zhuhai, Guangdong Province of the PRC and is being developed mainly for residential use. The Group has 100% ownership in this development and had successfully launched the pre-sale of the project at the beginning of 2007.

The Grand Panorama Project

The austerity measures implemented by the PRC Government to help stabilise the overheating property market in the PRC namely by strengthening the administration of commercial real estate credit loans and raising bank reserve requirements, have seen noticeable effects in the second half of 2007, when general property prices in the PRC started to consolidate. Nevertheless, these cooling measures had no material impact on The Grand Panorama Project as the pre-sale of this project was substantially completed in the first half of 2007. As of the end of 2007, all of the residential units, 261 or 76% of the car-parking spaces and 1,183.6 square metres or 51% of the commercial space of the project had been contracted for sale. The average selling price achieved for the residential units was around RMB12,000 per square metre of gross floor area. The pre-sale of the project in 2007 contributed HK$772.9 million to the cash flow of the Group.

REAL ESTATE DEVELOPMENT AND PROJECT MANAGEMENT BUSINESS (Cont'd)

The Grand Panorama Project, Zhuhai, Guangdong Province, the PRC (Cont'd)

In 2007, construction of the superstructure of the project's four residential buildings was completed whilst interior and external decoration and electrical and mechanical installation works were at the final stages. Moving ahead in 2008, our key tasks are focused on the completion of the construction and sale of the remaining property units of the project. According to the current work progress, handover of the property units to buyers is expected to begin in stages from mid-2008, upon which revenue and results from sale of the relevant property units will be recognised in the Group's consolidated financial statements.

Laguna Bay Project, Nanjing, the PRC

This three-phased residential project is located at the junction of Xue Si Lu and Xue Qi Lu, Science Park, Jiangning District, Nanjing, Jiangsu Province of the PRC. The Laguna Bay Project, in which the Group has a 71% ownership, occupies a site area of 310,296 square metres with a total gross floor area of 310,670 square metres. Since the Group was awarded the bid to acquire the underlying land use rights for RMB160 million in December 2005, the project has progressed satisfactorily.

Ershisanye Construction Group Co., Ltd., an indirect majority-owned subsidiary of China Minmetals, was appointed as the main contractor for construction works of phase I of the project. In 2007, all of the site formation work and part of superstructure construction for phase I of the project were completed. Up to October 2007, the construction works for the project had progressed to a point that the pre-sale of the northern part of phase I of the project was approved. Despite the economic cooling measures implemented by the PRC Government, the local residential property market in Jiangning District continued to show strong signs of growth evidenced by rising land transaction prices in the district, which reached an implied equivalent price of around RMB4,500 per square metre of gross floor area. The results of pre-sale were satisfactory. As of the end of 2007, 212 or 73% of the residential units of the northern part of phase I offered for sale had been contracted for sale, achieving an average selling price of around RMB5,000 per square metre in gross floor area.

With the PRC economy experiencing rapidly increasing material prices, an appreciating currency and tightened credit conditions for property sector during the year under review, the project had been facing rising construction and financing costs. As such, the registered capital of the joint venture company undertaking the project has been increased to US$6.6 million from US$3.3 million to strengthen its capital base, and stringent cost control measures were implemented as part of an effort to maximise returns.

Despite the challenges described above, we continue to believe that the property supply and demand dynamics in the Jiangning District are favourable to this project in the view of the development in progress of infrastructure facilities surrounding the district including the Jiangning metro subway system and phase II of the Ninghang Expressway. In this regard, we have decided to accelerate the development of the project so that the remaining phases may be marketed as early as practicable. As such, pre-sale of the remaining 313 residential units of phase I will continue in 2008. Construction works on phase II and phase III development of the project are expected to start in the third quarter of 2008 and in 2009 respectively, and pre-sale will commence in the fourth quarter of the respective years.

REAL ESTATE DEVELOPMENT AND PROJECT MANAGEMENT BUSINESS (Cont'd)

Laguna Bay Project, Nanjing, the PRC (Cont'd)

The updated construction and pre-sale schedules of the Laguna Bay Project are shown below:

	Gross floor area	Actual and expected pre-sale commencement date	Expected construction completion date
	(square metres)		
Phase I	77,971	4Q 2007	1Q 2009
Phase II	169,711	4Q 2008	4Q 2009
Phase III	62,988	4Q 2009	4Q 2010
Total	310,670		

The Real Estate Development Project in Changsha, Hunan Province, the PRC

This project consists of two parcels of adjoining land with a total gross site area of around 633,000 square metres located at Yuetang Village and Gaotang Village of Muyun Town, Changsha County, Changsha City, Hunan Province of the PRC. In May 2007, the Group entered into agreements with two indirect majority-owned subsidiaries of China Minmetals to jointly develop the project following the successful bid for the underlying land use rights for RMB628 million. The Group holds a 51% ownership in the project through a joint venture company. The estimated gross floor area of the project is approximately 1,071,300 square metres.

During the year under review, demolition and relocation works for the relevant land had been substantially completed. In particular, the Construction Land Use Planning Permit for phase I development of a total gross floor area of around 630,000 square metres was approved by the relevant government authorities and the related land use certificate for a site area of 285,861 square metres was obtained. In December 2007, site works for phase I of the development started and pre-sale is expected to commence from the last quarter of 2008.

Project in Changsha, Hunan Province

In December 2007, National Development and Reform Commission of the PRC approved the cluster of cities in Hunan Province comprising Changsha, Zhuzhou and Xiangtang as one of the six experimental economic zones for energy-saving and environment-friendly programmes. As a result, local government support will be provided to these three cities to build energy-saving and environment-friendly industries and to accelerate the economic reform thereof through modern industrialisation and urbanisation. The Changsha-Zhuzhou-Xiangtang area is expected to become a new growth area as a southern axis linking the central and western parts of the PRC.

REAL ESTATE DEVELOPMENT AND PROJECT MANAGEMENT BUSINESS (Cont'd)

The Real Estate Development Project in Changsha, Hunan Province, the PRC (Cont'd)

In view of the prospective economic activities of Changsha City mentioned above and the unique geographical location of the project, which is in the vicinity of hills and a lake, the Group is confident about the potential of this project and its contributions to the Group's revenue and cash flow for several years from 2009 onwards, notwithstanding the challenges stemming from rising construction and financing costs in the real estate development sector in the PRC.

Construction Project Management Service

During the year under review, the Group's project management service contract with respect to the construction of the Jin Hai Building project was completed and the Group recorded revenue of HK$2.3 million. Following the completion of the Group's services, further revenue to be recognised by the Group under the service contract will be relatively insignificant.

SPECIALISED CONSTRUCTION BUSINESS

The Group operates this business through (i) SJQ, which is engaged in the design and installation of curtain walls in the PRC, (ii) Condo HK, which is engaged in the design and installation of curtain walls in Hong Kong and Macau, and (iii) Enful, which is engaged in the manufacture and installation of fire-resistant timber doors and fire-proofing plaster projects in the PRC and Hong Kong.

In 2007, our specialised construction business segment reported revenue of HK$346.0 million, representing an increase of 67.4% over the comparable figure in the previous year of HK$206.7 million. Enful's business was not satisfactory and continued to suffer losses which outweighed the operating profit of our curtain wall business. This business segment as a whole made a loss of HK$18.1 million or HK$5.5 million before impairment of goodwill at HK$12.6 million (2006: segment loss of HK$3.4 million). Despite the efforts of the Group to revive Enful's business in the past through various measures, improvement had not been evident. As a result, the Company had decided to rationalise Enful's business in an orderly manner.

Curtain wall construction by SJQ
– Wujiang Building, Suzhou, the PRC

During the year under review, better collaboration between this business segment and our real estate development business was achieved, as evidenced by SJQ having been engaged as contractor for the supply and installation of aluminium windows for phase I of the Laguna Bay Project.

SPECIALISED CONSTRUCTION BUSINESS (Cont'd)

Curtain Wall Business

SJQ recorded revenue of HK$310.9 million from its business in the PRC in 2007, representing a 62.4% increase compared with the comparable figure in 2006 of HK$191.4 million. In 2007, SJQ secured contracts totalling HK$175 million whilst the value of outstanding contracts on hand amounted to HK$87 million at the end of 2007 (2006: HK$300 million). SJQ was awarded Year 2007 Recommended Enterprises for Curtain Wall Construction and Installation (二零零七年建築幕牆製作安裝推薦企業) by the Curtain Wall Committee of the PRC Construction and Decoration Association (中國建築裝飾協會幕牆委員會) and was designated as one of the 50 leading curtain wall enterprises in the PRC. Yet, SJQ is facing tough competition especially in securing contracts which offer a better chance to achieve higher profit margins, as evidenced by the decreasing contract backlog. As such, the Group had made a goodwill impairment of HK$12.6 million in 2007. To sustain its competitive advantages in a very competitive industry landscape, SJQ is required to enhance continuously its production facilities, technology content and financial strength. The Company will continue to periodically review and realign, if necessary, SJQ's business strategies in the context of the development plans of the Group as a whole.

During the year under review, Condo HK generated HK$29.3 million in revenue mainly attributable to the curtain wall and cladding project contract for a multifunctional leisure complex at Repulse Bay, Hong Kong. Subsequent to year-end 2007, Condo HK secured another curtain wall contract for the new departure concourse of the Hong Kong International Airport. In light of the substantial investments in the infrastructure sector in Hong Kong over the coming years and the competitive strengths of Condo HK, the Group will prudently expand the operating scale of this unit.

Design and installation of curtain wall and cladding by Condo HK – multifunctional leisure complex at Repulse Bay, Hong Kong

Fire-proofing Door and Plaster Business

The operations of Enful were considered not to be sustainable in the PRC. In view of this, the Group had started to close down Enful's operations in the PRC since the beginning of 2007. As a result, the Group had written off the relevant assets of Enful's PRC manufacturing plant in 2007. The revenue of Enful during the year under review was entirely derived from the Hong Kong market. During the year under review, Enful recorded revenue of HK$5.8 million, representing a 62.1% decline compared with the comparable figure of HK$15.3 million in 2006.

PROPERTY LEASING BUSINESS

The Group's property leasing business covers mainly the leasing of office and commercial spaces in ONFEM Tower ("ONFEM Tower") located in Central, Hong Kong, and four other residential units in Hong Kong. The Group's residential properties in Shanghai were occupied as staff quarters of the Group.

Benefiting from the robust property market in Hong Kong, revenue of our property leasing business segment increased by 19.6% to HK$17.0 million (2006: HK$14.2 million). Segment profit amounted to HK$64.8 million, up 1.4% compared with the recorded figure in the previous year of HK$63.9 million. Segment profit was HK$14.3 million before including the gain on revaluation of investment properties of HK$50.5 million in 2007, growing 27.7% year-on-year over the comparable figure of HK$11.2 million in 2006.

PROPERTY LEASING BUSINESS (Cont'd)

According to research reports published by leading property valuers in Hong Kong, leasing demand for office space in Central, Hong Kong and their rental value remains relatively strong. We therefore expect this business segment to continue to make steady contributions to the cash flow and profits of the Group in the foreseeable future.

MANUFACTURING AND TRADING BUSINESS

The Group's manufacturing and trading business consists of the manufacture and distribution of lubricant oil, industrial tools and chemical products operated by Jaeger.

In 2007, this business segment recorded HK$65.9 million (2006: HK$64.9 million) in revenue, of which 92% was derived from the PRC market, with the remainder from the Hong Kong and other Southeast Asian markets. Despite the moderate growth of revenue by 1.5% year-on-year, this business segment recorded a 63.0% decline in segment profit in 2007 to HK$1.7 million from HK$4.6 million in the previous year. During the year under review, rising international oil prices (by over 60%) and an appreciating Renminbi had led to a significant increase in the direct cost of sales of Jaeger and eroded its operating margins, in spite of its successful efforts to increase the average selling prices of its products by approximately 15% in the PRC and to improve its product mix towards higher value products.

Moving ahead, Jaeger will be facing challenges in dealing with the escalating international oil prices and rising operating costs induced by Renminbi appreciation and inflationary pressures in the PRC and the new Labour Contract Law of the PRC.

SECURITIES INVESTMENT AND TRADING BUSINESS

In 2007, this business segment recorded segment profit of HK$140.7 million (2006: HK$2.9 million). The significant increase in segment profit was a result of the disposal of the Group's investment of 7,200,000 shares in China Merchants China Direct Investments Limited in January 2007, which generated a gain of HK$140.9 million. Since such disposal, the Group has not held any securities for investment and trading purposes.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group derived its funds mainly from cash flows generated from business operations, realisation of investments as well as borrowings.

During the year ended 31 December 2007, proceeds from disposal of financial assets and pre-sale of properties sold prior to completion of the sale agreements increased cash and bank deposits of the Group to HK$796.8 million (excluding pledged deposits) as at 31 December 2007 (2006: HK$116.1 million), of which 95.3%, 4.6% and 0.1% (2006: 93.0%, 6.5% and 0.5%) were denominated in Renminbi, HK dollar and other currencies respectively. The cash and bank deposits included RMB542.1 million (approximately HK$579.1 million) as at 31 December 2007, designated to finance the construction cost of and relevant taxes on The Grand Panorama Project.

To finance the acquisition and development of new projects, total borrowings, comprising borrowings from banks, a minority investor of a subsidiary of the Company and a fellow subsidiary of the Company, increased to HK$566.4 million as at 31 December 2007 (2006: HK$271.5 million). The ratio of total borrowings to total equity of the Group rose from 33.2% as at 31 December 2006 to 52.8% as at 31 December 2007. However, if considering the gearing ratio, representing net debt (total borrowings less pledged deposits and cash and bank deposits) divided by total equity, there was no net debt and therefore no gearing for the Group as at 31 December 2007 (2006:14.5%) since the Group has maintained a high level of cash and bank deposits.

LIQUIDITY AND FINANCIAL RESOURCES (Cont'd)

The maturity profile of the Group's borrowings is as follows:

	31 December 2007 HK$'000	31 December 2006 HK$'000
Within one year	**361,500**	171,822
In the second year	**204,923**	99,640
	566,423	271,462

At 31 December 2007, borrowings denominated in Renminbi amounted to RMB341.8 million (approximately HK$365.2 million) (2006: RMB197.5 million (approximately HK$196.8 million)), while the remaining balance of HK$201.2 million (2006: HK$74.7 million) was bank borrowings denominated in HK dollar. All of the Group's borrowings were on a floating interest rate basis. Finance costs charged to the consolidated income statement for the year ended 31 December 2007 amounted to HK$1.6 million (2006: HK$0.9 million) after capitalisation of HK$28.6 million (2006: HK$9.5 million) into the cost of properties under development. The unutilised banking facilities of the Group amounted to HK$37.4 million as at 31 December 2007 (2006: HK$103.2 million).

Property development commitments of the Group as at 31 December 2007 amounted to HK$338.3 million (2006: HK$160.5 million). These commitments are to be financed by internal funds and borrowings.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Most of the transactions of the Group were denominated in HK dollar and Renminbi, and therefore, the Group is exposed to the movements in value of Renminbi against HK dollar. Given that the expected appreciation of Renminbi would have positive impact on the Group's assets in the PRC and income generated from the PRC, the Group had not implemented hedging or other alternative measures during the year ended 31 December 2007. At 31 December 2007, the Group did not have any significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

CHARGES ON GROUP ASSETS

At 31 December 2007, the Group pledged leasehold land and buildings and investment properties with carrying amounts of HK$6.6 million (2006: HK$6.7 million) and HK$341.2 million (2006: HK$290.8 million) respectively, properties under development of HK$476.1 million (2006: HK$308.8 million) and fixed bank deposits of HK$17.9 million (2006: HK$37.0 million) as securities for the Group's banking facilities.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company and the Group are set out in Note 31 to the consolidated financial statements.

EMPLOYEES

At 31 December 2007, the Group employed 470 (2006: 466) staff, including the Directors. The total remuneration and benefits of the Directors and staff of the Group during the year ended 31 December 2007 were HK$50.1 million (2006: HK$35.4 million). The Group adopts a remuneration policy in line with market practice.

He Jianbo
Managing Director

Hong Kong, 1 April 2008

CORPORATE GOVERNANCE REPORT

The Board would like to present the corporate governance report for the year ended 31 December 2007.

CORPORATE GOVERNANCE

The Company is committed to ensuring and maintaining a high standard of corporate governance. The Board has put in place a corporate governance structure for the Company and is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. The respective Board committees oversee particular aspects of the Company's affairs and perform their distinct roles in accordance with their respective terms of reference.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, throughout the year ended 31 December 2007, the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

(i) Under code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

    The Company was incorporated in Bermuda under the private company act 1991 whereby the Chairman and the Managing Director of the Company are not subject to retirement by rotation. In this connection, every Director (save for the Chairman and the Managing Director), including those appointed for a specific term, should be subject to retirement by rotation at the annual general meeting at least once every three years, and all Directors whether appointed by the Board or Shareholders to fill a casual vacancy or as an additional Director should be subject to election by Shareholders at the first annual general meeting after their appointment.

(ii) Under code provision E.1.2 of the CG Code, the Chairman of the Board and the chairmen of the respective Board committees are required to attend and answer questions at the annual general meeting. Mr. Zhou Zhongshu, the Chairman of the Board and the Chairman of the Remuneration Committee, had not attended the Company's annual general meeting for 2007 due to ad hoc business commitment. Accordingly, Mr. Wang Xingdong (previously the Managing Director and a member of the Remuneration Committee) took the chair of the said meeting.

BOARD OF DIRECTORS

The Company is managed by the Board which is responsible for promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. The day-to-day management, administration and operation of the Company, however, are delegated to the management of the Company.

The Board currently comprises nine members, details as shown below:

Name of Director	Designation	Executive Committee	Audit Committee	Remuneration Committee
Mr. Zhou Zhongshu	Chairman & Non-executive Director			*
Mr. Qian Wenchao	Deputy Chairman & Executive Director	*		
Mr. He Jianbo	Managing Director & Executive Director	*		*
Mr. Yan Xichuan	Deputy Managing Director & Executive Director	*		
Mr. Yin Liang	Deputy Managing Director & Executive Director	*		
Ms. He Xiaoli	Executive Director	*		
Mr. Lam Chun, Daniel	Independent Non-executive Director		*	*
Mr. Selwyn Mar	Independent Non-executive Director		*	*
Ms. Tam Wai Chu, Maria	Independent Non-executive Director		*	*

Biographical details of all Directors are disclosed in the section headed “Directors’ and Senior Management’s Profile” in this annual report. To the best knowledge of the Company, there are no financial, business, family or other material/relevant relationships amongst members of the Board.

All Non-executive Directors are appointed for a term of three years. They are subject to retirement by rotation and re-election provisions of the Bye-laws.

Throughout the year, the Company met at all times the requirements of the Listing Rules to have at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate accounting and financial management expertise and professional qualifications.

BOARD OF DIRECTORS (Cont'd)

Mr. Lam Chun, Daniel, an Independent Non-executive Director of the Company, is an honorary consultant of Shanghai City Development Law Firm 上海市建緯律師事務所 ("SCD"), a lawyer firm in the PRC which had been the legal advisor acting for a wholly-owned subsidiary of the Company in a litigation proceeding conducted in the PRC during the year and provides other legal services to the Group from time to time. Mr. Lam is not a director, partner, principal or employee of SCD and has no administrative or management role in SCD. Mr. Lam confirms that he receives no economic or monetary benefit from the position nor do any obligations or duties arise which he must or is encouraged to perform.

Written confirmations were received from each of the Independent Non-executive Directors confirming their independence as stipulated in Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors to be independent.

Other than resolutions passed by means of resolutions in writing of all the Directors, the Board held four regular meetings in 2007. Notice of at least fourteen days is given of a regular Board meeting to give all Directors an opportunity to attend. The attendance of individual Director at the meetings of the Board is set out below:

Name of Director	Number of attendance
Mr. Zhou Zhongshu	2/4
Mr. Qian Wenchao	4/4
Mr. He Jianbo *(appointed on 7 December 2007)*	0/0
Mr. Wang Xingdong *(resigned on 7 December 2007)*	4/4
Mr. Yan Xichuan	4/4
Mr. Yin Liang	4/4
Ms. He Xiaoli	4/4
Mr. Lam Chun, Daniel	4/4
Mr. Selwyn Mar	4/4
Ms. Tam Wai Chu, Maria	3/4

Each Director has a duty to act in good faith and in the best interests of the Company as a whole. The Directors are aware of their collective and individual responsibilities to Shareholders. The Company enables the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in the process of discharging their duties. The Company has also arranged for appropriate liability insurance to indemnify Directors for their liabilities arising from corporate activities.

CHAIRMAN AND MANAGING DIRECTOR

Mr. Zhou Zhongshu is the Chairman of the Board and Mr. He Jianbo is the Managing Director of the Company. This segregation of roles ensures that there is a clear distinction between the management of the Board by the Chairman and the day-to-day management of the Company's business by the Managing Director. The respective responsibilities of the Chairman and the Managing Director are set out in the Company's internal documentation entitled "Guidelines in respect of the Responsibilities of the Board of Directors".

NOMINATION OF DIRECTORS

Although the Board has not established a nomination committee, the Board meets on a regular basis:

a. to review the composition and membership of the Board, including the skills, knowledge and experience of Directors and the length of services of the Board as a whole;

b. to identify and nominate to the Board suitable candidate(s) who has(have) the expertise which is relevant and beneficial to the Group's business operation; and

c. to assess the independence of the Company's Independent Non-executive Directors.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has established a set of guidelines as its own "Rules and Procedures for Directors and Relevant Employees of the Company in respect of Dealings in Securities of the Company" (the "Rules for Securities Transactions") on terms no less exacting than those contained in the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made with all Directors who had confirmed in writing that they had complied with the Rules for Securities Transactions throughout the year ended 31 December 2007.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant period. In preparing the consolidated financial statements for the year ended 31 December 2007, the Directors ensured that the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for the timely publication of the consolidated financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of PwC, the independent auditor of the Company, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" section of this annual report.

INTERNAL CONTROLS

The Board is responsible for developing sound and effective internal control system of the Group, and maintaining and reviewing from time to time the effectiveness of such system to protect Shareholders' interests and to safeguard the Group's assets. Such internal control system is implemented by management upon the authorisation of the Board.

Throughout the year, the Board had been assisted by the Audit Committee in reviewing the effectiveness of the internal control system of the Group. The Group's Internal Audit Department is responsible for performing risk-driven audits to inspect and evaluate the Group's financial, operational and compliance controls and risk management on a regular or as-needed basis. Internal audit reports which furnished independent and objective evaluation and recommendation were then submitted directly to the Audit Committee, with the purpose of ensuring that the effectiveness of the internal control system of the Group has been improving continuously. The Audit Committee would make recommendations to the management and submit regular reports to the Board on the basis of such audit findings and views.

BOARD COMMITTEES

A. Audit Committee

All the members of the Audit Committee are Independent Non-executive Directors. In line with its terms of reference approved by the Board, the Audit Committee is principally responsible for providing independent review of the effectiveness of the financial reporting procedures and internal control system of the Group, reviewing the appointment of external auditors and the efficiency and quality of their work and reviewing all internal audit reports as well as management feedback to such reports.

There are three meetings held by the Audit Committee in 2007, the attendance of which is set out below:

Name of Director	Number of attendance
Mr. Selwyn Mar – Chairman	3/3
Mr. Lam Chun, Daniel	3/3
Ms. Tam Wai Chu, Maria	3/3

The major tasks accomplished by the Audit Committee in respect of the year ended 31 December 2007 are as follows:

a. reviewed the consolidated financial statements of the Group for the year ended 31 December 2006 and the independent auditor's report thereon, and the annual results announcement, and made recommendation to the Board for approval;

b. reviewed the interim financial information of the Group for the six months ended 30 June 2007 and the interim results announcement, and made recommendation to the Board for approval;

c. reviewed the management recommendations furnished by the independent auditor and the responses from the Group's management;

d. reviewed the audit strategy submitted by the independent auditor for the year ended 31 December 2007 and made recommendation to the Board for their appointment, remuneration and terms of engagement on audit services for the financial year ended 31 December 2007;

BOARD COMMITTEES (Cont'd)

A. Audit Committee (Cont'd)

e. reviewed and made recommendations to the Board on the remuneration and terms of engagement of the independent auditor on non-audit services;

f. reviewed with the management the accounting principles and practices adopted by the Group;

g. assisted the Board in conducting independent evaluation of the effectiveness of the Group's financial reporting procedures and internal control system;

h. constantly reviewed internal audit reports submitted by the Internal Audit Department during the year and directed the department in its approaches to audit planning and reports; and

i. furnished its opinions to the management concerning related risks in respect of significant matters of the Group.

The Board agrees with the recommendation of the Audit Committee for the re-appointment of PwC as the Company's independent auditor for the financial year 2008. The relevant resolution will be put forward for approval by Shareholders at the AGM.

B. Remuneration Committee

In line with its terms of reference approved by the Board, the role and function of the Remuneration Committee is to review and discuss the remuneration mechanism and incentive scheme of the Directors and senior management, and to establish and maintain a reasonable and competitive remuneration level in order to attract and retain Directors and senior management.

The Remuneration Committee held one meeting in 2007, the attendance of which is set out below:

Name of Director	Number of attendance
Mr. Zhou Zhongshu – Chairman	0/1
Mr. He Jianbo *(appointed on 7 December 2007)*	0/0
Mr. Wang Xingdong *(resigned on 7 December 2007)*	1/1
Mr. Lam Chun, Daniel	1/1
Mr. Selwyn Mar	1/1
Ms. Tam Wai Chu, Maria	1/1

During the year, the Remuneration Committee reviewed and discussed the remuneration package of senior management of the Group, in particular, the recruitment package of a new member of the senior management team.

AUDITOR'S REMUNERATION

For the year ended 31 December 2007, PwC, the independent auditor of the Group, received approximately HK$2.15 million (2006: HK$1.59 million) for audit services, and approximately HK$0.57 million (2006: HK$0.72 million) for non-audit services which include fees for the review of the 2007 interim report and the provision of tax services.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company attaches great importance to communications with Shareholders and investors.

Shareholders are welcome to raise questions and comments at general meetings where members of the Board and independent auditor of the Company will answer their questions. Pursuant to the Bye-laws, Shareholders have a right to demand poll at general meetings. Details of such Shareholders' right and the poll voting procedures are set out in the circular to Shareholders and will be explained in the general meeting. In the event that poll voting is conducted, the results thereof will be published on the websites of the Stock Exchange and of the Company following the meeting.

In order to enhance investor relationships, designated senior management maintains regular meetings and dialogues with equity research analysts, fund managers and institutional investors. In addition, the Company's website at www.minmetalsland.com offers timely access to the Company's announcements, press releases and other business information.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS

From left to right: **Mr. ZHOU Zhongshu; Mr. QIAN Wenchao; Mr. HE Jianbo; Mr. YAN Xichuan; Mr. YIN Liang**

Mr. ZHOU Zhongshu, aged 55, was appointed as an Executive Director and the Chairman of the Company in February 2006. Mr. Zhou was then re-designated as a Non-executive Director of the Company in May 2006. He is the president of China Minmetals and the chairman of China Minmetals Nonferrous Metals Company Limited and Minmetals HK. Mr. Zhou is also the chairman of Minmetals Development Co., Ltd. (a subsidiary of China Minmetals whose shares are listed on the Shanghai Stock Exchange) and a non-executive director and the chairman of Minmetals Resources Limited (a subsidiary of China Minmetals whose shares are listed on the Stock Exchange).

Mr. Zhou graduated from Shanghai International Studies University in the PRC and majored in Spanish language. He joined China Minmetals in 1978. From 2000 to 2002, Mr. Zhou was the Commercial Counsellor of the Chinese Embassy in Spain. Mr. Zhou has over 26 years of experience in international trading, strategic investment and real estate development business.

Mr. QIAN Wenchao, aged 43, was appointed as an Executive Director of the Company in November 2003. In December 2006, Mr. Qian assumed the responsibility of the Deputy Chairman of the Company. He is also a director of Minmetals HK. Mr. Qian graduated from Beijing Technology and Business University with a Bachelor of Arts Degree in 1987 and completed his graduate study in accounting in the same university in 1989. He joined China Minmetals in 1989 and was assigned to the Overseas Enterprises Division of China Minmetals with responsibilities in financial management. Mr. Qian has over 11 years of experience in corporate financial management.

Mr. HE Jianbo, aged 38, was appointed as an Executive Director and Managing Director of the Company in December 2007. Mr. He is responsible for the operation of and strategic planning for the Company. He is a Senior International Business Engineer in the PRC. He graduated from the Peking University in 1992 with a Bachelor's Degree in Economics. He also obtained a Master's Degree in International Finance from the Peking University and a Master's Degree in Business Administration from Saint Mary's University, Canada. Mr. He joined China Minmetals in 1992 and had served the positions of director of general administrative office, director of strategic planning division and a member of the strategic planning committee of China Minmetals. He had been the secretary of the board of directors and is a director of Minmetals HK. Mr. He has over 15 years of experience in corporate management, strategic planning and investment.

Mr. YAN Xichuan, aged 61, was appointed as an Executive Director and a Deputy Managing Director of the Company in August 2002. Mr. Yan is responsible for the operation of and strategic planning for the Company's subsidiaries which are principally engaged in specialised construction business. He graduated from Chongqing Architectural University in 1970 and is a qualified senior engineer. He joined China State Construction Engineering Corporation in 1970 and was transferred to China Overseas Holdings Limited ("COHL") in 1984. Mr. Yan was the general manager of China Overseas Civil Engineering Limited, the assistant general manager of the Investment Department of COHL and the president of Gold Court Property Management Limited. Mr. Yan had participated in numerous construction projects in the PRC and Hong Kong and has over 37 years of experience in construction, civil engineering, real estate investment and project management.

Mr. YIN Liang, aged 39, was appointed as an Executive Director and a Deputy Managing Director of the Company in December 2006. He graduated from the University of International Business and Economics of China in 1991 with a Bachelor of Law Degree and obtained a Master's Degree in Business Administration from Saint Mary's University of Canada and a Master's Degree in Law from the University of Hong Kong. Mr. Yin joined China Minmetals in 1991 and has been serving various departments of China Minmetals group for trading, legal affairs, investment and corporate management. Mr. Yin is currently the vice general manager of China Mimet Investment Limited and the board secretary and general manager of the executive office of Minmetals HK. He is also a director of Shenzhen SDG Information Co., Ltd. whose shares are listed on the Shenzhen Stock Exchange. Mr. Yin has extensive experience in investment and corporate management.

DIRECTORS (Cont'd)

From left to right: **Ms. HE Xiaoli; Mr. LAM Chun, Daniel; Mr. Selwyn MAR; Ms. TAM Wai Chu, Maria**

Ms. HE Xiaoli, aged 40, was appointed as an Executive Director of the Company in February 2002. She is also the General Manager of the Finance Department of the Company. Ms. He holds a Bachelor's Degree in Accounting from North China University of Technology and a Master's Degree in Business Administration from the University of South Australia. She is a qualified PRC Senior Accountant and a member of the Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. He was the head of the business division and the deputy minister of accounting information division of the finance department of the previous China National Nonferrous Metals Industry Corporation. Ms. He has extensive experience in financial management of enterprises.

Mr. LAM Chun, Daniel, aged 62, was appointed as an Independent Non-executive Director of the Company in May 1997. Mr. Lam is an Authorized Person under the Buildings Ordinance and a Registered Professional Surveyor. He is a fellow member of the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators, a fellow member and the Past President (1986-1987) of the Hong Kong Institute of Surveyors, and a fellow member and the past chairman (1997-2000) of the Hong Kong Institute of Arbitrators. Mr. Lam is a member of the Administrative Appeals Board and was a member of the Hong Kong Housing Authority and Chairman of its Building Committee, a member of the Hong Kong Surveyors Registration Board and a consultant to the World Bank on the Urban Land Policies Study for the PRC. He is also a Council Member of the Hong Kong International Arbitration Centre. Mr. Lam was the director of the Property Division of the previous Kowloon-Canton Railway Corporation and had worked in the Hongkong Land Group, Architectural Services Department, Housing Department, The Hongkong and Shanghai Banking Corporation Limited, Sime Darby Group, CLP Holdings Limited and was a former executive director of Tian An China Investments Company Limited and the former chairman of DCL Consultants Limited. Mr. Lam has over 30 years of experience in the surveying profession.

Mr. Selwyn MAR, aged 72, was appointed as an Independent Non-executive Director of the Company in November 2002. Mr. Mar graduated from the London School of Economics, University of London. He is a Chartered Accountant, a partner of Nexia Charles Mar Fan & Co., Certified Public Accountants, and the Managing Director of Marfan & Associates Limited. Mr. Mar was the President of the Hong Kong Institute of Certified Public Accountants in 1991, a member of the Appeals Panel of Securities & Futures Commission and a member of the Board of Governors of Chinese International School. Mr. Mar has been actively involved in commercial and industrial undertakings in Hong Kong and the PRC in the past 30 years. Presently, he sits on the board of two other Hong Kong listed companies. Mr. Mar is an Honorary Fellow of the Lingnan University.

Ms. TAM Wai Chu, Maria, aged 62, was appointed as an Independent Non-executive Director of the Company in April 1997. Ms. Tam holds a Bachelor's Degree in Law from the University of London and has been a practising barrister since 1972. Ms. Tam is currently involved in numerous community services, which include the Deputy of the National People's Congress of the PRC as well as a member of the Basic Law Committee of the HKSAR, the Bar Association, the Advisory Committee on Corruption of the Independent Commission Against Corruption and the Task Group on Constitutional Development of the Commission on Strategic Development.

SENIOR MANAGEMENT

Mr. LAW Yiu Wing, Patrick, aged 45, joined the Company as the Chief Operating Officer in September 2006. Mr. Law assists the Managing Director in business development, day-to-day operation and financial and general management of the Company. Mr. Law is also responsible for planning, management and development of the Company's business in real estate development and investment. He holds a Bachelor of Building (Hons.) Degree from the University of New South Wales, Australia and a Master of Business Administration Degree from the Australian Graduate School of Management (AGSM). He is a member of the Australian Institute of Building, the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Law has extensive experience in property development, strategic planning, financial and general management gained from listed companies.

Mr. YANG Lu, aged 50, joined the Company as the General Manager of the Real Estate Development Department in May 2007. Mr. Yang assists the business development of real estate development projects in the PRC and oversees the initial management of new projects. Mr. Yang graduated from Chongqing (Jianzhu) Architectural & Engineering University (now known as Chongqing University) in 1982 with a Bachelor of Engineering Degree. He also holds a Grade One Project Manager Certificate issued by the PRC's Ministry of Construction and is a member of the Chartered Institute of Building, U.K.. Mr. Yang was previously employed to the managerial positions in various companies of COHL with exposure to a variety of domestic and overseas engineering projects. He was also the general manager of a PRC real estate development company of COHL. Mr. Yang has extensive experience in the development, operation and management of construction contracting and real estate development business.

Ms. YUEN Wai Man, Shirine, aged 35, joined the Company as the Financial Controller in May 2002. Ms. Yuen has also been appointed as the Qualified Accountant of the Company since March 2004. She holds a Degree of Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Company, Ms. Yuen had worked in an international professional accounting firm and a listed company in Hong Kong to gain her extensive experience in financial and general management.

Ms. CHUNG Wing Yee, Zoe, aged 41, joined the Company as the Company Secretary in August 2006. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Chung has extensive experience in company secretarial practice gained from professional firms and listed companies.

Mr. SZETO Wai Hung, Gus, aged 48, was appointed as the General Manager of the Company's Investment and Planning Department in January 2005. He also holds the position of the Managing Director of Jaeger since 1997. Mr. Szeto holds a Bachelor's Degree in Commerce from the University of New South Wales, Australia, and a MBA Degree from the Richard Ivey School of Business of the University of Western Ontario, Canada. He is a member of the Institute of Chartered Accountants of Australia and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Szeto has extensive experience in manufacturing operation, financial and general management.

Ms. CHEN Xie Ying, Christine, aged 44, joined the Company as the Internal Audit Manager in April 2003. Ms. Chen holds a Master's Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Company, she was the head of internal audit department and a member of the risk management committee of a financial institution listed on the Stock Exchange for many years. Ms. Chen has extensive experience in investment, internal control and risk management.

Ms. WONG Mei Yee, Maisie, aged 46, joined the Company in May 1993 and is the Human Resources Manager of the Company. She is responsible for administration and human resources management of the Company. Ms. Wong has extensive experience in corporate administration and human resources management.

REPORT OF THE DIRECTORS

The Board would like to submit the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in Note 17 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 34.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 24 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and of the Company during the year are set out in Note 25 to the consolidated financial statements.

PROPERTIES

Particulars of the major properties held for investment and properties under development of the Group are set out on page 92.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 93.

INFORMATION RELATING TO THE OPTION SCHEME

On 29 May 2003, the Company adopted the Option Scheme to recognise and acknowledge the contributions that eligible persons (as defined in the Option Scheme) had made or may from time to time make to the Group whether in the past or in the future.

The principal terms of the Option Scheme are as follows:

(1) Participants of the Option Scheme
Any directors or any employees of any companies of the Group and any advisers of, consultants of, contractors to any companies of the Group or any person who has any relationship (whether business or otherwise) with any companies of the Group or any person whom the Directors consider, in their sole discretion, has contributed or will contribute or can contribute to the Group.

(2) Total number of Shares available for issue under the Option Scheme
The total number of Shares available for issue under the Option Scheme is 75,568,178, representing approximately 9.8% of the issued share capital of the Company as at the date of this report.

(3) Maximum entitlement of each participant under the Option Scheme
No options under the Option Scheme may be granted to any eligible person, which, if exercised in full, would result in the total number of Shares issued and to be issued upon the exercise of the options already granted or to be granted to such eligible person under the Option Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital as at the date of such new grant. Any grant of further options above this limit shall be subject to the Shareholder's approval requirement under the Listing Rules.

(4) The period within which the Shares must be taken up under an option
The Directors may in their absolute discretion determine the period during which an option may be exercised and notify each grantee, save that such period shall not be later than 10 years from the date on which the Directors make an offer of the option subject to the provisions for early termination thereof.

(5) Time of acceptance and the amount payable on acceptance of the option
The offer of an option made in accordance with the Option Scheme may be accepted within 28 business days from the date of the offer and the amount payable on acceptance of the option is HK$10.

(6) The basis of determining the subscription price
The subscription price shall be determined by the Board at the time of grant of the relevant option and shall not be less than the highest of (i) the closing price per Share as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of the relevant option; (ii) the amount equivalent to the average closing price per Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the relevant option; and (iii) the nominal value of a Share.

(7) The remaining life of the Option Scheme
The Option Scheme is valid until 28 May 2013.

INFORMATION RELATING TO THE OPTION SCHEME (Cont'd)

Details of the movements of share options during the year ended 31 December 2007 are as follows:

Category of participant	Date of grant	Exercisable period	Exercise price	Number of share options: As at 1 January 2007	Lapsed during the year	Exercised during the year	As at 31 December 2007
			HK$				
(i) Directors							
Mr. Qian Wenchao	15 March 2004	16 March 2004 to 15 March 2007	0.83	1,500,000	1,500,000	–	–
Mr. Wang Xingdong	15 March 2004	16 March 2004 to 15 March 2007	0.83	3,000,000	3,000,000	–	–
Mr. Yan Xichuan	15 March 2004	16 March 2004 to 15 March 2007	0.83	2,000,000	2,000,000	–	–
Ms. He Xiaoli	15 March 2004	16 March 2004 to 15 March 2007	0.83	1,500,000	1,500,000	–	–
(ii) Employees of the Group	15 March 2004	17 March 2004 to 26 April 2007 *(Note)*	0.83	6,800,000	5,150,000	1,650,000	–
				14,800,000	13,150,000	1,650,000	–

Note: The exercisable period for the share options granted to each employee of the Group lasts for 3 years commencing from the date of acceptance of the share options by each respective employee.

Save as disclosed above, no share options lapsed or were cancelled in accordance with the terms of the Option Scheme during the year.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Non-executive Director

Mr. Zhou Zhongshu

Executive Directors

Mr. Qian Wenchao
Mr. He Jianbo *(appointed on 7 December 2007)*
Mr. Wang Xingdong *(resigned on 7 December 2007)*
Mr. Yan Xichuan
Mr. Yin Liang
Ms. He Xiaoli

Independent Non-executive Directors

Mr. Lam Chun, Daniel
Mr. Selwyn Mar
Ms. Tam Wai Chu, Maria

Mr. Yan Xichuan and Mr. Lam Chun, Daniel, will retire from the offices of Director at the Company's forthcoming annual general meeting in accordance with bye-law 111(A) of the Bye-laws and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company and any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

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

As at 31 December 2007, the interests and short positions 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 as set out in Appendix 10 to the Listing Rules, 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%

Note: Details of the interests of Directors in share options of the Company are disclosed in the paragraph headed " Information Relating to the Option Scheme" above.

Save as disclosed above, as at 31 December 2007, none of the Directors or the chief executive of the Company or any of their associates (as defined in the Listing Rules) had any personal, family, corporate or other interests or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO).

Save as disclosed above, none of the Directors or the chief executive of the Company or their spouses or children under 18 years of age, was granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SFO) during the year ended 31 December 2007.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save as disclosed in the paragraphs entitled "Information Relating to the Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, the Company had no other outstanding options, convertible securities, warrants or other similar rights as at 31 December 2007.

Save as disclosed in the paragraph entitled "Information Relating to the Option Scheme" above, there was no repurchase or exercise of options or convertible securities during the year.

SUBSTANTIAL SHAREHOLDERS

As far as was known to the Directors or the chief executive of the Company, as at 31 December 2007, the following persons and entities had an interest in the Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of part XV of the SFO or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Long Position in Shares

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%

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 ("SPI") and Delta Venture Holdings Limited ("DVH") has a 50% interest. SPI is owned as to 70% by Mr. Osbert Lyman, and DVH is owned as to 50% by Mr. Royson Lyman and 50% by Mr. Elke Lu.*

CONTRACTS OF SIGNIFICANCE

The following contracts of significance were entered into or subsisted between the Company or its subsidiaries and the Company's controlling shareholder or its subsidiaries during the year ended 31 December 2007:

1. Wilson Murray, a wholly-owned subsidiary of the Company, and Guangzhou Tian He Orienmet Property Co., Ltd. ("GTH"), an associate of Minmetals HK (which is the intermediate controlling shareholder of the Company), entered into a construction project management agreement dated 29 July 2004 (the "PM Agreement"). Details of the PM Agreement have been published in the Company's announcement dated 29 July 2004.

2. ZOBHP, a wholly-owned subsidiary of the Company, and Minmetals Finance (an associate of Minmetals HK) entered into a Renminbi loan agreement dated 11 January 2007 (the "RMB Loan Agreement I"), details of which are set out below:

Amount of the loan	:	RMB30,000,000 ("RMB Loan I")
Term	:	1 year
Interest rate	:	110% of the rate for Renminbi 1-3 years term loans per annum as quoted by The People's Bank of China from time to time
Purpose of the loan	:	to finance the general working capital requirement of ZOBHP

CONTRACTS OF SIGNIFICANCE (Cont'd)

3. Minmetals HK, Minmetals Finance and ZOBHP entered into a corporate guarantee dated 11 January 2007, pursuant to which Minmetals HK, as a guarantor, undertakes the repayment of the RMB Loan I and the relevant interests and charges if ZOBHP does not repay the principal amount of the RMB Loan I and the relevant interests and charges in accordance with the terms and conditions of the RMB Loan Agreement I.

4. ZOBHP and Minmetals Finance entered into a Renminbi loan agreement dated 19 March 2007 (the "RMB Loan Agreement II"), details of which are set out below:

Amount of the loan	:	RMB52,000,000 ("RMB Loan II")
Term	:	1 year
Interest rate	:	110% of the rate for Renminbi 1-3 years term loans per annum as quoted by The People's Bank of China from time to time
Purpose of the loan	:	to finance the general working capital requirement of ZOBHP

5. Minmetals HK, Minmetals Finance and ZOBHP entered into a corporate guarantee dated 19 March 2007, pursuant to which Minmetals HK, as a guarantor, undertakes the repayment of the RMB Loan II and the relevant interests and charges if ZOBHP does not repay the principal amount of the RMB Loan II and the relevant interests and charges in accordance with the terms and conditions of the RMB Loan Agreement II.

6. DCPCL, a subsidiary owned as to 71% by the Company, and Ershisanye Construction Group Co. Ltd., an associate of Minmetals HK, entered into a main contract on 31 July 2007 for the construction work of phase I of the Laguna Bay Project in Nanjing, the PRC (the "Transaction"). Details of the Transaction have been published in the Company's announcement dated 31 July 2007.

7. 嘉和日盛, a subsidiary owned as to 51% by the Company, and 湖南嘉盛房地產開發有限責任公司, a subsidiary of China Minmetals and owned 49% of 嘉和日盛, entered into a loan agreement as of 13 November 2007, details of which are set out below:

Amount of the loan	:	RMB186,200,000
Term	:	2 years
Interest rate	:	the rate for Renminbi 1-3 years term loans per annum as quoted by The People's Bank of China from time to time
Purpose of the loan	:	to finance the working capital requirement of 嘉和日盛

Save as disclosed above, no contracts of significance were entered into or subsisted between the Company or its subsidiaries and the Company's controlling shareholder or its subsidiaries during the year ended 31 December 2007.

No contract of significance to which the Company, any of its holding companies, or any of their subsidiaries was a party, in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts for management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the year is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2007	2006	2007	2006
The largest customer	15.6 %	16.7%		
Five largest customers in aggregate	52.9 %	45.3%		
The largest supplier			15.2%	12.0%
Five largest suppliers in aggregate			52.0%	34.0%

At no time during the year, had the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interests in the above customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws of Bermuda.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions undertaken by the Group during the year ended 31 December 2007 are as follows:

1. Brena is a wholly-owned subsidiary of the Company while Texion is a wholly-owned subsidiary of Minmetals HK. On 1 June 2006, a tenancy agreement was entered into between Brena as the tenant and Texion as the landlord in respect of the lease of office premises (the "Tenancy Agreement I"), details of which are set out below:

Property	:	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Period	:	1 June 2006 to 31 May 2008 (both dates inclusive)
Rental	:	HK$92,688 per calendar month (exclusive of government rates and service, management and air-conditioning charges)
Other charges	:	HK$24,331 per calendar month (being the tenant's share of service, management and air-conditioning charges)

The aggregate sum of the rental and other charges paid by Brena under the Tenancy Agreement I for the year ended 31 December 2007 was HK$1,404,228.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

2. EEL is a wholly-owned subsidiary of the Company while Cheemimet is a wholly-owned subsidiary of Minmetals HK. On 1 June 2006, a licence agreement was entered into between EEL as the licensee and Cheemimet as the licensor in respect of the lease of office premises (the "Licence Agreement"), details of which are set out below:

Property	:	certain portions of 16th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Period	:	1 June 2006 to 15 May 2007 (both dates inclusive)
Licence fee	:	HK$26,068.50 per calendar month (exclusive of management fee, government rates and other outgoings)
Other charges	:	HK$6,843.10 per calendar month (being the licensee's share of the management fee)

The Licence Agreement was terminated on 1 April 2007. The aggregate sum of the licence fee and other charges paid by EEL under the Licence Agreement for the year ended 31 December 2007 was HK$99,000.

3. Condo HK is a wholly-owned subsidiary of the Company while China Expand is a wholly-owned subsidiary of Minmetals HK. On 17 October 2007, a tenancy agreement was entered into between Condo HK as the tenant and China Expand as the landlord in respect of the lease of staff quarter (the "Tenancy Agreement II"), details of which are set out below:

Property	:	Flat 1303, Block C, Fortress Metro Tower, 238 King's Road, Hong Kong
Period	:	25 September 2007 to 24 September 2008 (both dates inclusive)
Rental	:	HK$10,000 per calendar month (inclusive of government rates and management fee)

The Tenancy Agreement II was terminated on 1 January 2008. The aggregate sum of the rental paid by Condo HK under the Tenancy Agreement II for the year ended 31 December 2007 was HK$32,645.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The Independent Non-executive Directors of the Company have reviewed the transactions contemplated under the Tenancy Agreement I, the Licence Agreement and the Tenancy Agreement II for the year ended 31 December 2007 (collectively referred to as the "Transactions") and confirmed that the Transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the terms of each of the Tenancy Agreement I, the Licence Agreement and the Tenancy Agreement II that are fair and reasonable and in the interests of the Shareholders as a whole.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS (Cont'd)

PwC, the independent auditor of the Company, has reviewed the Transactions and reported that:

(a) the Directors have approved the Transactions upon entering into the Tenancy Agreement I, the Licence Agreement and the Tenancy Agreement II governing such Transactions;

(b) the Transactions have been entered into in accordance with the terms of each of the Tenancy Agreement I, the Licence Agreement and the Tenancy Agreement II; and

(c) the transactions in relation to the Tenancy Agreement I and the Licence Agreement have not exceeded the respective annual caps as disclosed in the announcement of the Company dated 1 June 2006.

CONTINUING DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

JOC, Virtyre and OFL, all being wholly-owned subsidiaries of the Company, accepted the offers from a bank for the grant of various general banking facilities (the "Facilities") to the extent of an aggregate amount of HK$216,135,000 pursuant to the bank's facility letters dated 28 July 2005 and 16 November 2006 issued to JOC, Virtyre and OFL respectively (the "Facility Letters"). The Facilities have no specific date of expiry.

As one of the conditions of the Facilities, China Minmetals shall, directly or indirectly, maintain its major shareholding (the extent of which has not been defined in the Facility Letters) in the Company during the life of the Facilities. A breach of such condition will constitute an event of default and as a result, the Facilities will become immediately due and repayable.

Save as disclosed above, the Company does not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the notices submitted to the Company pursuant to the SFO, the Directors are of the view that sufficient public float exists for the issued Shares as at the date of this report.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the independent auditor the audited consolidated financial statements for the year ended 31 December 2007 and has also discussed auditing, internal control and financial reporting matters including the review of the accounting practices and principles adopted by the Group.

INDEPENDENT AUDITOR

The consolidated financial statements have been audited by PwC who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

By order of the Board
He Jianbo
Managing Director

Hong Kong, 1 April 2008

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MINMETALS LAND LIMITED (INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the consolidated financial statements of Minmetals Land Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 34 to 91, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 April 2008

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	**–**	–

The notes on pages 40 to 91 are an integral part of these consolidated financial statements.

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

He Jianbo
Director

He Xiaoli
Director

The notes on pages 40 to 91 are an integral part of these consolidated financial statements.

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

He Jianbo
Director

He Xiaoli
Director

The notes on pages 40 to 91 are an integral part of these consolidated financial statements.

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**

The notes on pages 40 to 91 are an integral part of these consolidated financial statements.

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

The notes on pages 40 to 91 are an integral part of these consolidated financial statements.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Consolidation (Cont'd)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Foreign currency translation (Cont'd)

(iii) Group companies (Cont'd)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Financial assets (Cont'd)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Employee benefits (Cont'd)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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.

3 FINANCIAL RISK FACTORS AND MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(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.

3 FINANCIAL RISK FACTORS AND MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(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 HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years 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 FINANCIAL RISK FACTORS AND MANAGEMENT (Cont'd)

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 **HK$'000**	2006 HK$'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 **HK$'000**	2006 HK$'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 FINANCIAL RISK FACTORS AND MANAGEMENT (Cont'd)

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

(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 HK$'000	2006 HK$'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

5 SEGMENT INFORMATION (Cont'd)

(a) Primary reporting format – business segments (Cont'd)

Segment revenue and results

	Real estate development and project management 2007 HK$'000	Real estate development and project management 2006 HK$'000	Specialised construction 2007 HK$'000	Specialised construction 2006 HK$'000	Property leasing 2007 HK$'000	Property leasing 2006 HK$'000	Manufacturing and trading 2007 HK$'000	Manufacturing and trading 2006 HK$'000	Securities investment and trading 2007 HK$'000	Securities investment and trading 2006 HK$'000	Total 2007 HK$'000	Total 2006 HK$'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.

5 SEGMENT INFORMATION (Cont'd)

(a) Primary reporting format – business segments (Cont'd)

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)*.

5 SEGMENT INFORMATION (Cont'd)

(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 HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contributions to pension scheme HK$'000	Total 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

8 EMPLOYEE BENEFIT EXPENSE (Cont'd)

(a) Directors' emoluments (Cont'd)

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

8 EMPLOYEE BENEFIT EXPENSE (Cont'd)

(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 HK$'000	2006 HK$'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 HK$'000	2006 HK$'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 **HK$'000**	2006 HK$'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 **HK$'000**	2006 HK$'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

14 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	Group					
	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'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 HK$'000	2006 HK$'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

16 GOODWILL (Cont'd)

(b) Impairment test for goodwill

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

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

17 SUBSIDIARIES (Cont'd)

(b) Loans to subsidiaries

	Company	
	2007	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	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.

17 SUBSIDIARIES (Cont'd)

(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

17 SUBSIDIARIES (Cont'd)

(d) The following is a list of the principal subsidiaries at 31 December 2007: (Cont'd)

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
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

17 SUBSIDIARIES (Cont'd)

(d) The following is a list of the principal subsidiaries at 31 December 2007: (Cont'd)

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.

19 TRADE AND OTHER RECEIVABLES (Cont'd)

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

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 HK$'000	2006 HK$'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 HK$'000	2006 HK$'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 HK$'000	2006 HK$'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.

19 TRADE AND OTHER RECEIVABLES (Cont'd)

(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 ('000)	**Amount HK$'000**	No. of Shares ('000)	Amount HK$'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.

24 SHARE CAPITAL (Cont'd)

(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**

25 RESERVES (Cont'd)

(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

26 BORROWINGS (Cont'd)

(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.

26 BORROWINGS (Cont'd)

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

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

27 DEFERRED TAX

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

The net movements on the deferred tax are as follows:

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

27 DEFERRED TAX (Cont'd)

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

28 TRADE AND OTHER PAYABLES (Cont'd)

(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 HK$'000	2006 HK$'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)

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(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 HK$'000	2006 HK$'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 HK$'000	2006 HK$'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 HK$'000	2006 HK$'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

33 RELATED PARTY TRANSACTIONS (Cont'd)

(b) Balances with related parties

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

33 RELATED PARTY TRANSACTIONS (Cont'd)

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.

GROUP PROPERTIES

1. MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Usage	Lease term
ONFEM Tower, 29 Wyndham Street, Central, Hong Kong Inland Lot No. 1005	Commercial	Long
Flat D on 19th Floor, Tai Yuen Court, No. 38 Tai Yuen Street, Wanchai, Hong Kong	Residential	Long
Unit 6 on 8th Floor of Block 2, Heng Fa Chuen, No. 100 Shing Tai Road, Chai Wan, Hong Kong	Residential	Long
Unit 611 on 6th Floor, Block N, Kornhill, Nos. 14-16 Hong On Street, Quarry Bay, Hong Kong	Residential	Long
Unit 2603 on 26th Floor, Block Q, Kornhill, Nos. 6-8 Hong On Street, Quarry Bay, Hong Kong	Residential	Long

2. MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Usage	Site area/ gross floor area	Group's interest	Expected construction completion date
		(square metres)		
At the junction of Haijing Road and Haizhou Road, Jida, Xiangzhou District, Zhuhai, Guangdong Province, the PRC	Residential	16,454/89,000	100%	2Q 2008
At the junction of Xue Si Road and Xue Qi Road, Science Park, Jiangning District, Nanjing, the PRC	Residential	310,296/310,670	71%	4Q 2010
At Yuetang Village and Gaotang Village, Muyun Town, Changsha County, Changsha City, Hunan Province, the PRC	Residential	632,837/1,071,300	51%	4Q 2012

FIVE-YEAR FINANCIAL SUMMARY

	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
RESULTS					
Revenue	**431,206**	303,085	231,322	86,605	160,941
Operating profit/(loss)	**162,530**	108,233	25,090	87,576	(32,334)
Finance costs	**(1,579)**	(948)	(583)	(1,385)	(4,860)
Profit/(loss) before tax	**160,951**	107,285	24,507	86,191	(37,194)
Income tax	**(1,453)**	(1,440)	3,642	(1,082)	(95)
Profit/(loss) for the year	**159,498**	105,845	28,149	85,109	(37,289)
Profit/(loss) attributable to:					
Equity holders of the Company	**162,653**	105,845	28,149	85,109	(35,739)
Minority interests	**(3,155)**	–	–	–	(1,550)
ASSETS AND LIABILITIES					
Non-current assets	**370,503**	329,538	305,249	285,481	251,589
Current assets	**2,390,263**	945,628	533,186	449,972	525,413
Total assets	**2,760,766**	1,275,166	838,435	735,453	777,002
Capital and reserves attributable to equity holders of the Company	**878,090**	817,829	600,034	561,060	474,707
Minority interests	**195,246**	–	–	–	25,033
Total equity	**1,073,336**	817,829	600,034	561,060	499,740
Non-current liabilities	**213,345**	105,866	7,325	7,039	12,154
Current liabilities	**1,474,085**	351,471	231,076	167,354	265,108
Total liabilities	**1,687,430**	457,337	238,401	174,393	277,262
Total equity and liabilities	**2,760,766**	1,275,166	838,435	735,453	777,002

GLOSSARY OF TERMS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"Board"	the board of directors of the Company
"Brena"	Brena Company Limited
"Bye-laws"	the Bye-laws of the Company
"Cheemimet"	Cheemimet Finance Limited
"CG Code"	the Code on Corporate Governance Practices
"China Expand"	China Expand Development Limited
"China Minmetals"	China Minmetals Corporation
"Company"	Minmetals Land Limited
"Condo HK"	Condo (Hong Kong) Decoration Engineering Company Limited
"Director(s)"	director(s) of the Company
"DCPCL"	Dragon Construction (Nanjing) Properties Co., Ltd.
"EEL"	Enful Engineering Limited
"Enful"	Enful Holdings Limited and its subsidiaries
"Group"	the Company and its subsidiaries
"嘉和日盛"	湖南嘉和日盛房地產開發有限公司
"HK$" or "HK dollar(s)"	Hong Kong dollar(s)
"Hong Kong" or "HKSAR"	The Hong Kong Special Administrative Region of the PRC
"Jaeger"	Jaeger Oil & Chemical Holdings Limited and its subsidiaries
"Jin Hai Building"	Guangzhou Tian He Jin Hai Building
"JOC"	Jaeger Oil & Chemical Company Limited
"June Glory"	June Glory International Limited
"Laguna Bay Project"	the real estate development project in Nanjing, the PRC

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	The Macau Special Administrative Region of the PRC
"Minmetals Finance"	Minmetals Finance Company Limited
"Minmetals HK"	China Minmetals H.K. (Holdings) Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"OFL"	ONFEM Finance Limited
"Option Scheme"	the share option scheme of the Company adopted on 29 May 2003
"PRC"	The People's Republic of China
"PwC"	PricewaterhouseCoopers
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	the ordinary share(s) of par value HK$0.1 each of the Company
"SJQ"	Shanghai Jin Qiao Condo Decoration Engineering Co., Ltd.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Texion"	Texion Development Limited
"The Grand Panorama Project"	the real estate development project in Zhuhai, the PRC
"Virtyre"	Virtyre Limited
"Wilson Murray"	Wilson Murray Far East Limited
"ZOBHP"	Zhuhai (Oriental) Blue Horrison Properties Company Limited
"%"	percentage