THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

五礦建設有限公司*
MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 230)

SUPPLEMENTAL CIRCULAR TO THE CIRCULAR DATED 28 NOVEMBER 2008 RELATING TO THE MAJOR (FORMERLY VERY SUBSTANTIAL ACQUISITION) AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF TARGET INVOLVING ISSUE OF CONSIDERATION SHARES AND AN INCREASE IN AUTHORISED SHARE CAPITAL AND PROPOSED REFRESHMENT OF GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES

Joint Financial Advisers to Minmetals Land Limited

Deutsche Bank

MCL CAPITAL

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Access Capital

This supplemental circular shall be read in conjunction with the circular of the Company dated 28 November 2008.

A letter from the Independent Board Committee is set out on pages 20 to 21 of this supplemental circular.

A letter from Access Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 38 of this supplemental circular.

A special general meeting of the Company was held on 23 December 2008 to seek the approval of the Independent Shareholders for the Acquisition but was adjourned on the same date for the Directors to resolve some technical issues with certain of the Shareholders. As stated in the Latest Announcement, the Directors considered it desirable to leave the said special general meeting adjourned *sine die* (i.e. indefinitely) and to convene the SGM as a new special general meeting of the Company to seek the approval of the Independent Shareholders for the Acquisition. A notice convening the SGM to be held at Garden Rooms, 2nd Floor, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Tuesday, 1 September 2009 at 10:30 a.m. is set out on pages SGM-1 to SGM-5 of this supplemental circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish. **Any form of proxy enclosed with the Circular, or otherwise delivered to the Company for use at the special general meeting of the Company held on 23 December 2008 will no longer be valid for use at the SGM. Shareholders are reminded to use the new form of proxy enclosed with this supplemental circular instead.**

* *For identification purpose only*

12 August 2009

CONTENTS

In this supplemental circular, capitalised terms and expressions shall, unless the context otherwise requires or otherwise defined below, have the same meanings as set out in the section headed "Definitions" of the Circular and where relevant have been repeated below for easy reference:

"Access Capital" or "Independent Financial Adviser"	Access Capital Limited, a licensed corporation under the SFO to conduct regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition;
"Acquisition"	the proposed acquisition of the entire issued share capital of Target pursuant to the Acquisition Agreement;
"Acquisition Agreement"	the conditional sale and purchase agreement dated 7 November 2008 entered into between MLI (as purchaser), the Vendor (as seller) and Minmetals HK (as the seller's guarantor and warrantor) relating to the Acquisition and as supplemented from time to time, including, for the avoidance of doubt, by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement;
"Agreed Value"	the trading value per Franshion Share to be used for determining the Consideration calculated by reference to the formula set out in the section headed "A. The Acquisition Agreement dated 7 November 2008 – Consideration" in the letter from the Board set out in the Circular and amended as set out in the section headed "The Acquisition Agreement – Consideration" in the letter from the Board set out in this supplemental circular;
"Announcement"	the announcement made by the Company in connection with the Acquisition on 7 November 2008;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors (including executive Directors, non-executive Director and independent non-executive Directors);
"Business Day"	a day (excluding Saturdays or Sundays) on which banks are generally open for business in Hong Kong;

"Cash Proceed"	the cash held by Target to be acquired by the Company under the Acquisition;
"China Minmetals"	China Minmetals Corporation, a State-owned enterprise in the PRC and the ultimate controlling shareholder of the Company;
"China Minmetals Group"	China Minmetals and its subsidiaries excluding the Group and Target;
"Circular"	the circular of the Company dated 28 November 2008 which sets out, among other things, the details of the Acquisition and other information of the Group;
"Company"	Minmetals Land Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Acquisition Agreement;
"Conditions"	conditions precedent to Completion as set out in the Acquisition Agreement and summarised in the section headed "A. The Acquisition Agreement dated 7 November 2008 – Conditions" in the letter from the Board set out in the Circular and amended as summarised in the section headed "The Acquisition Agreement – Conditions" in the letter from the Board set out in this supplemental circular;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the consideration for which Target will be sold to the Group under the Acquisition;
"Consideration Shares"	such number of Shares to be allotted and issued by the Company pursuant to the terms and conditions of the Acquisition Agreement;
"Consideration Shares Issue Price"	the issue price for the Consideration Shares calculated by reference to the formula set out under the Acquisition Agreement;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;

"Convertible Preference Shares"	convertible preference shares of HK$0.10 each formerly proposed to be created and issued in satisfaction of the Consideration as mentioned in the Circular under the terms of the Acquisition Agreement before it was amended pursuant to the Third Supplemental Agreement;
"Director(s)"	directors (including independent non-executive directors) of the Company;
"Enlarged Group"	the Group following completion of the Acquisition;
"Existing General Mandates"	the Existing Issuance Mandate and the Existing Repurchase Mandate;
"Existing Issuance Mandate"	the general mandate granted to the Directors at the annual general meeting of the Company held on 26 May 2009 to allot, issue and otherwise deal with new Shares;
"Existing Repurchase Mandate"	the general mandate granted to the Directors at the annual general meeting of the Company held on 26 May 2009 to repurchase Shares;
"First Supplemental Agreement"	a supplemental agreement dated 31 March 2009 to the Acquisition Agreement entered into between the parties to the Acquisition Agreement;
"Franshion"	Franshion Properties (China) Limited (方興地產(中國)有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
"Franshion Agreement"	the sale and purchase agreement dated 5 June 2008 as supplemented by a subsequent agreement dated 10 October 2008 whereby, among other things, Target as the vendor agreed to dispose of the Jin Mao Investment to Franshion;
"Franshion Announcement"	the announcement issued by Franshion on 5 June 2008 in relation to, among other things, the Franshion Agreement;
"Franshion Circular"	the circular issued by Franshion to its shareholders dated 30 June 2008 in relation to, among other things, the Franshion Agreement;

"Franshion Current Market Price"	in respect of any date, 90% of the average closing price per Franshion Share as quoted on the Stock Exchange for the last 20 trading days ending on and inclusive of such date or, if that is not a dealing day, the immediately preceding dealing day;
"Franshion Group"	Franshion and its subsidiaries;
"Franshion Share(s)"	230,469,921 ordinary shares of HK$1.00 each in Franshion which were issued to Target on completion of the Franshion Agreement;
"Group"	the Company and its subsidiaries;
"HK dollar" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent committee of the Board comprising Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria, who are independent non-executive Directors and appointed to advise the Independent Shareholders in respect of the Acquisition;
"Independent Shareholders"	Shareholders other than June Glory and its associates;
"Jin Mao"	中國金茂(集團)股份有限公司 (China Jin Mao (Group) Company Limited), a company limited by shares and established under the laws of the PRC;
"Jin Mao Group"	Jin Mao and its subsidiaries;
"Jin Mao Investment"	equity interest in Jin Mao representing 10.6452% of its share capital;
"June Glory"	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability, the immediate controlling shareholder of the Company and an indirect wholly-owned subsidiary of China Minmetals;
"Latest Announcement"	the announcement made by the Company in connection with the Acquisition on 23 July 2009;
"Latest Practicable Date"	6 August 2009, being the latest practicable date prior to the printing of this supplemental circular for ascertaining certain information for inclusion in this supplemental circular;

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Maximum Franshion Share Price"	HK$2.90, being 120% of the Franshion Current Market Price as at the date of the Latest Announcement;
"Maximum MML Share Price"	HK$1.56, being 120% of the MML Current Market Price as at the date of the Latest Announcement;
"Minimum Franshion Share Price"	HK$1.94, being 80% of the Franshion Current Market Price as at the date of the Latest Announcement;
"Minimum MML Share Price"	HK$1.04, being 80% of the MML Current Market Price as at the date of the Latest Announcement;
"Minmetals HK"	China Minmetals H.K. (Holdings) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Minmetals;
"MLI"	Minmetals Land Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company and the purchaser under the Acquisition Agreement;
"MML Current Market Price"	in respect of any date, the average closing price per Share as quoted on the Stock Exchange for the last 20 trading days ending on and inclusive of such date or, if that is not a dealing day, the immediately preceding dealing day;
"PRC" or "China"	the People's Republic of China (for the purpose of this supplemental circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
"PRC JV"	五礦地產南京有限公司 (Minmetals Property Development Nanjing Co., Ltd.), an enterprise established under the laws of the PRC with limited liability;
"Previous Price Fixing Date"	16 December 2008, being five Business Days preceding the special general meeting of the Company held on 23 December 2008;
"Price Fixing Date"	five Business Days preceding the SGM or any adjournment in relation thereto;
"Refreshed General Mandates"	the Refreshed Issuance Mandate and the Refreshed Repurchase Mandate;

"Refreshed Issuance Mandate"	a general mandate proposed to be granted to the Directors at the SGM to allot, issue and otherwise deal with new Shares;
"Refreshed Repurchase Mandate"	a general mandate proposed to be granted to the Directors at the SGM to repurchase Shares;
"Rights Issue"	the issue by way of rights of one rights Share for every two existing Shares by the Company in June 2009;
"RMB"	Renminbi, the lawful currency of the PRC;
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
"Second Supplemental Agreement"	a supplemental agreement dated 18 May 2009 to the Acquisition Agreement entered into between the parties to the Acquisition Agreement;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be held on Tuesday, 1 September 2009, the notice of which is set out on pages SGM-1 to SGM-5 of this supplemental circular;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Target"	Luck Achieve Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Vendor;
"Third Supplemental Agreement"	a supplemental agreement dated 23 July 2009 to the Acquisition Agreement entered into between the parties to the Acquisition Agreement;
"US dollar" or "US$"	United States dollars, the lawful currency of the United States of America;

"Vendor"	Mountain Trend Global Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Minmetals HK; and
"%"	percentage.

For the purpose of illustration only and unless otherwise stated, conversion of HK$ into RMB in this supplemental circular is based on the exchange rate of HK$1.00 to RMB0.8774. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at such or any other rate.

五礦建設有限公司*
MINMETALS LAND LIMITED

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

Non-executive Director:
Mr. SUN Xiaomin, *Chairman*

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

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

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

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

12 August 2009

To the Shareholders,

Dear Sir or Madam,

MAJOR (FORMERLY VERY SUBSTANTIAL ACQUISITION) AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF TARGET INVOLVING ISSUE OF CONSIDERATION SHARES AND AN INCREASE IN AUTHORISED SHARE CAPITAL AND PROPOSED REFRESHMENT OF GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES

INTRODUCTION

On 7 November 2008, the Board announced that MLI, a wholly-owned subsidiary of the Company (as purchaser), has entered into the Acquisition Agreement with Vendor (as seller) and Minmetals HK (as the seller's guarantor and warrantor) for the acquisition of the entire issued share capital of Target. Target is a company established by Vendor in 2008 for the sole purpose of holding its then 10.6452% attributable interest in Jin Mao (i.e. the Jin Mao Investment) and the

* *For identification purpose only*

proceeds arising from the disposal of the Jin Mao Investment to Franshion as announced by Franshion in the Franshion Announcement. The Acquisition constituted a very substantial acquisition and connected transaction for the Company at that time and the Circular containing, among other things, further particulars of the Acquisition, was despatched on 28 November 2008.

A special general meeting of the Company was held on 23 December 2008 to seek the approval of Independent Shareholders for the Acquisition but was adjourned on the same date for the Directors to resolve some technical issues with certain of the Shareholders. On 31 March 2009, pursuant to the First Supplemental Agreement, the parties to the Acquisition Agreement agreed to extend the last date for fulfilling the conditions stipulated in the Acquisition Agreement from 31 March 2009 to 31 December 2009. Since then, further supplemental agreements have been entered into and on 23 July 2009, at the same date the Third Supplemental Agreement was entered into, the Directors announced their intention to convene the SGM to seek the approval of Independent Shareholders for the Acquisition.

The purpose of this supplemental circular is to provide you with, among other things, further particulars of (i) the Acquisition, the Acquisition Agreement and the subsequent amendments made thereto; (ii) the recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser; (iii) the accountant's report on the financial information of Target which has been updated since 28 November 2008 (i.e. the date of the Circular), and (iv) the notice of the SGM. **This supplemental circular is supplemental to the Circular, and Shareholders are advised to read this supplemental circular in conjunction with the Circular as a whole.**

This supplemental circular is also to provide you with information in respect of, among other things, the grant to the Directors of the Refreshed General Mandates.

THE ACQUISITION AGREEMENT

Parties:

1. MLI, a wholly-owned subsidiary of the Company, as purchaser, which is principally engaged in investment holding;

2. Vendor, a wholly-owned subsidiary of Minmetals HK and an indirect wholly-owned subsidiary of China Minmetals established for the sole purpose of holding Target, as seller; and

3. Minmetals HK, a direct wholly-owned subsidiary of China Minmetals, as the seller's guarantor and warrantor, which is principally engaged in investment holding and corporate management services business.

Assets involved:

The entire issued share capital of Target. Target is a company established by Vendor in 2008 for the sole purpose of holding the Jin Mao Investment and the proceeds arising from the disposal of the Jin Mao Investment to Franshion as announced by Franshion in the Franshion Announcement, comprising the then Cash Proceed of HK$527,007,887 and the Franshion Shares.

On 18 May 2009, the Second Supplemental Agreement was executed. Under the Second Supplemental Agreement, the parties agreed to reduce the Cash Proceed in consideration of Vendor procuring June Glory to underwrite the Rights Issue and to undertake irrevocably to take up its full entitlement to the new Shares under the Rights Issue. The Rights Issue was completed on 30 June 2009, and a total of approximately HK$355,678,526 (covering subscription monies and related brokerage commission fee) was paid by June Glory under the Rights Issue. As at 30 June 2009, the amount of Cash Proceed, taking into account bank charges and interest income that have accrued and attributable to the Cash Proceed, was approximately HK$171,981,065.

Consideration:

Formerly, the Consideration for the Acquisition was agreed to be determined based on the face value of the Cash Proceed and the agreed value of the Franshion Shares (i.e. the Agreed Value), and to be satisfied by the allotment and issue of Convertible Preference Shares. The Agreed Value for the Franshion Shares was to be determined based on the Franshion Current Market Price on the Previous Price Fixing Date, i.e. 90% of the 20-day average closing price per Franshion Share as quoted on the Stock Exchange ended on the Previous Price Fixing Date, but subject to maximum and minimum prices set by reference to 120% and 80% of the Franshion Current Market Price, respectively, as at 7 November 2008, i.e. the date of the Announcement. The Convertible Preference Shares were formerly agreed to be issued at an issue price determined based on the MML Current Market Price on the Previous Price Fixing Date, that is the 20-day average closing price per Share as quoted on the Stock Exchange ended on the Previous Price Fixing Date, and also subject to maximum and minimum prices set by reference to 120% and 80% of the MML Current Market Price, respectively, as at 7 November 2008.

On 23 July 2009 (i.e. the date of the Latest Announcement), the parties to the Acquisition Agreement have entered into the Third Supplemental Agreement, under which the Acquisition Agreement has been further amended, among other things, as follows:

(i) the Company will issue ordinary shares of HK$0.10 each in the share capital of the Company as the Consideration Shares in lieu of Convertible Preference Shares in satisfaction of the Consideration payable by the Group under the Acquisition Agreement; and

(ii) the Maximum Franshion Share Price, the Minimum Franshion Share Price, the Maximum MML Share Price and the Minimum MML Share Price have been re-set by reference to the Franshion Current Market Price and the MML Current Market Price (as the case may be) as at the date of the Latest Announcement in lieu of 7 November 2008, being the date of the Announcement.

As a result of the Third Supplemental Agreement, the Consideration is to be determined based on face value of the Cash Proceed as at 30 June 2009 (i.e. approximately HK$171,981,065) and the Agreed Value, the maximum and minimum caps for the Agreed Value have been re-set as follows:

(i) the new Maximum Franshion Share Price is HK$2.90 per Franshion Share in lieu of HK$1.68 per Franshion Share, being 120% of the Franshion Current Market Price as at the date of the Latest Announcement instead of 7 November 2008; and

(ii) the new Minimum Franshion Share Price is HK$1.94 per Franshion Share in lieu of HK$1.12 per Franshion Share, being 80% of the Franshion Current Market Price as at the date of the Latest Announcement instead of 7 November 2008.

The new Maximum Franshion Share Price and the new Minimum Franshion Share Price respectively represent:

(a) a discount of approximately 15.45% and 43.44% to the reference price of HK$3.43 per Franshion Share based on which the Franshion Shares were agreed to be issued under the Franshion Agreement;

(b) a premium of approximately 13.73% and a discount of approximately 23.92% to the closing price of HK$2.55 per Franshion Share as quoted on the Stock Exchange on 23 July 2009, being the date of the Third Supplemental Agreement; and

(c) a premium of approximately 9.85% and a discount of approximately 26.52% to the 10-day average closing price of HK$2.64 per Franshion Share as quoted on the Stock Exchange, from 10 July 2009 to 23 July 2009.

The Consideration will be satisfied by the allotment and issue of Consideration Shares, in lieu of Convertible Preference Shares, each credited as fully paid at the Consideration Shares Issue Price, which will remain to be determined based on the MML Current Market Price on the Price Fixing Date, that is the 20-day average closing price per Share as quoted on the Stock Exchange ending on the Price Fixing Date, but subject to the revised maximum and minimum prices re-set as follows:–

(i) the new Maximum MML Share Price is HK$1.56 per Share in lieu of HK$0.53 per Share, being 120% of the MML Current Market Price as at the date of the Latest Announcement instead of 7 November 2008; and

(ii) the new Minimum MML Share Price is HK$1.04 per Share in lieu of HK$0.35 per Share, being 80% of the MML Current Market Price as at the date of the Latest Announcement instead of 7 November 2008.

The new Maximum MML Share Price and the new Minimum MML Share Price respectively represent:

(a) a discount of approximately 6.02% and 37.35% to the closing price per Share of HK$1.66 as quoted on the Stock Exchange on 23 July 2009, being the date of the Third Supplemental Agreement;

(b) a premium of approximately 11.43% and a discount of approximately 25.71% to the 10-day average closing price per Share of HK$1.40 as quoted on the Stock Exchange for the period from 10 July 2009 to 23 July 2009;

(c) a premium of approximately 20.00% and a discount of approximately 20.00% to the one-month average closing price per Share of HK$1.30 as quoted on the Stock Exchange for the period from 24 June 2009 to 23 July 2009; and

(d) a premium of approximately 34.48% and a discount of approximately 10.34 % to the three-month average closing price per Share of HK$1.16 as quoted on the Stock Exchange for the period from 24 April 2009 to 23 July 2009.

The Agreed Value of the Franshion Shares will remain at a discount to the prevailing trading price of the Franshion Shares, and the Consideration Shares Issue Price will still be marked to the prevailing trading price of the Shares. The Directors consider the pricing for both the Franshion Shares and the Consideration Shares to be fair and reasonable.

Further announcement on the final Consideration and the number of Consideration Shares to be issued, and where required, the measures to be taken to restore the public float of the Company, will be made as and when appropriate.

Conditions:

The Acquisition Agreement is conditional upon, among other things, completion of the Franshion Agreement in accordance with its terms. The Franshion Agreement was completed on 29 December 2008. Other Conditions of the Acquisition Agreement have been amended so that Completion shall be conditional upon the fulfillment of, among other things, the following Conditions on or before 31 December 2009 or such later date as may be agreed among the parties to the Acquisition Agreement:

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

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

(c) the Shareholders approving the increase in the authorised share capital of the Company to an extent sufficient to allow for the issue of the Consideration Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and the permission to deal in the Consideration Shares.

The Directors believe that the amendments to the Acquisition Agreement under the Third Supplemental Agreement allow the Maximum Franshion Share Price and the Minimum Franshion Share Price, as well as the Maximum MML Share Price and the Minimum MML Share Price, to be re-set and enable the Agreed Value for the Franshion Shares and the Consideration Shares Issue Price to more accurately reflect the latest trading prices of the Shares and the Franshion Shares. These amendments will also remove the technical complexity of the Acquisition and leave the Company with a more simple share capital structure than it would have been under the previous terms in respect of the Consideration under the Acquisition Agreement.

Completion:

The Acquisition shall be completed within three Business Days after all the Conditions have been fulfilled. If the Conditions are not fulfilled on or before 31 December 2009 (or such later date as may be agreed among the parties to the Acquisition Agreement), the Acquisition will lapse and the parties to the Acquisition Agreement shall be released from all their obligations thereunder without liability (without prejudice to the rights of any such parties in respect of antecedent breaches).

PARTICULARS OF THE GROUP, TARGET AND FRANSHION

The Group

The Company was incorporated in Bermuda and its shares have been listed on the Main Board of the Stock Exchange since 20 December 1991. The Group is principally engaged in real estate development and project management, specialised construction and property investment businesses. For the year ended 31 December 2008, the Group's real estate development and project management and specialised construction operations accounted for about 76.09% and 21.47% of its turnover, respectively.

Target

Background of Target

Target is a company established by Vendor in 2008 for the sole purpose of holding the Jin Mao Investment and the proceeds arising from the disposal of the Jin Mao Investment to Franshion pursuant to the Franshion Agreement. Details of the Jin Mao Investment and the Franshion Agreement were set out in the Circular.

Following completion of the Franshion Agreement on 29 December 2008, Target has been holding the Cash Proceed and the Franshion Shares as its sole assets. As mentioned above, as at 30 June 2009, it holds Cash Proceed of approximately HK$171,981,065 and the Franshion Shares. Since the date of the Circular, the issued share capital of Franshion has been increased and as at the Latest Practicable Date, such Franshion Shares represent approximately 2.52% of the entire issued share capital of Franshion.

Franshion

Background of Franshion

Franshion is a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange. The Franshion Group is principally engaged in the development, sale, leasing and management of commercial and residential properties and hotel operations, with properties in Shanghai, Beijing and Zhuhai and is the flagship real estate development arm of 中國中化集團公司 Sinochem Corporation, which is one of the central State-owned enterprise in the PRC with approval of the SASAC of the State Council of the PRC to develop, invest in and manage real estate projects as one of its core businesses. The Franshion Group has, as project companies, built landmark buildings in different cities including, among others, the Shanghai Fortune Plaza in Shanghai and the Chemsunny Plaza in Beijing.

Financial Information of the Franshion Group

The profits both before and after tax of Franshion for the two financial years ended 31 December 2007 (restated) and 2008, as extracted from its published audited financial statements, are set out below:

Year ended 31 December	**Profit before tax** *HK$*	**Profit for the year** *HK$*
2007 (restated)	4,094,574,000	2,852,665,000
2008	1,500,936,000	1,099,148,000

The audited net asset values of Franshion for the two financial years ended 31 December 2007 (restated) and 2008, as extracted from its published audited financial statements, are set out below:

As at 31 December	**Net asset value** *HK$*
2007 (restated)	15,380,529,000
2008	13,924,142,000

Shareholders are reminded that the financial figures in the above tables were prepared by the directors of Franshion. The information has not been independently verified by the Directors and Shareholders are therefore reminded to read such information with caution.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As stated in the Circular, the injection of Target is a further move by China Minmetals to consolidate its real estate interest into the Company and to continue to strengthen the Company's position as the sole real estate development flagship of China Minmetals. The Acquisition will also bring in immediate cash, and thus expand future funding capability of the Company and improve the Company's growth prospective. With a large portfolio and a strong mix of high end properties, the Directors also believe that the Franshion Shares represent an attractive investment opportunity for the Group to participate in the future appreciation in the PRC property market as well as in the market value of the Franshion Shares.

EFFECTS OF THE ACQUISITION ON THE COMPANY

Size of the Acquisition

Based on the revised size of the Acquisition, and more particularly the reduction in the Cash Proceed to approximately HK$171,981,065, the Acquisition constitutes a major transaction instead of a very substantial acquisition for the Company, and will remain as a connected transaction for the Company as previously disclosed. Based on the new Maximum Franshion Share Price, the new Minimum Franshion Share Price, the new Maximum MML Share Price and the new

Minimum MML Share Price re-set as mentioned above, the total number of Consideration Shares that may be issued under the Acquisition Agreement will be between 396,854,302 to 808,022,919 but the Company would not, and would not be required to issue any Consideration Shares to an extent where its public float immediately following Completion would be less than 25% of the Company's total issued share capital.

Ownership and dilution

Assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares, the holding structure of the share capital of the Company (i) before completion of the Acquisition; (ii) immediately after completion of the Acquisition based on the new Maximum Franshion Share Price and the new Minimum MML Share Price as mentioned above; and (iii) immediately after completion of the Acquisition based on the new Minimum Franshion Share Price and the new Maximum MML Share Price as mentioned above are set out below:

	Before completion of the Acquisition		**Immediately after completion of the Acquisition based on the new Maximum Franshion Share Price and the new Minimum MML Share Price** *(note 3)*		**Immediately after completion of the Acquisition based on the new Minimum Franshion Share Price and the new Maximum MML Share Price**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
June Glory *(note 1)*	1,054,878,778	63.14	1,054,878,778	42.55	1,054,878,778	51.02
Vendor *(note 2)*	Nil	Nil	808,022,919	32.60	396,854,302	19.19
Sub total	1,054,878,778	63.14	1,862,901,697	75.15	1,451,733,080	70.21
Public Shareholders	615,868,896	36.86	615,868,896	24.85	615,868,896	29.79
Total	1,670,747,674	100.00	2,478,770,593	100.00	2,067,601,976	100.00

Notes:

1. June Glory is an indirect wholly-owned subsidiary of China Minmetals held as to 71% directly by Minmetals HK and 29% by Cheemimet Finance Limited, a wholly-owned subsidiary of Minmetals HK.

2. Vendor is an indirect wholly-owned subsidiary of China Minmetals.

3. As set out in the second column of the above table, less than 25% of the issued shares of the Company may be held by the public as a result of completion of the Acquisition based on the new Maximum Franshion Share Price and the new Minimum MML Share Price. As mentioned above, the Company would not, and would not be required to issue any Consideration Shares to an extent where its public float immediately following Completion would be less than 25% of the Company's total issued share capital. For this purpose, Vendor, Minmetals HK and June Glory have given an irrevocable undertaking in favour of the Company on 23 July 2009, whereby each of Vendor and Minmetals HK has undertaken to the Company to procure June Glory and June Glory has undertaken to the Company, in the event the Company is unable to satisfy the 25% public float requirement under Rule 8.08 of the Listing Rules immediately after completion of the Acquisition as a result of the issue of the Consideration Shares, to take appropriate measures, including selling its own interest in the Company, to restore the public float of the Company to at least 25% of the Company's total issued share capital on or before Completion.

Further announcement on the final Consideration and the number of Consideration Shares to be issued, and where required, the measures to be taken to restore the public float of the Company, will be made as and when appropriate.

Neither Completion nor the issue of the Consideration Shares will result in any change of control of the Company, and China Minmetals will remain as the ultimate controlling shareholder of the Company.

Consolidated net asset value

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

Earnings

Accordingly, total income of the Group will be increased by the amount of dividend received on Franshion Shares and interest income received on the Cash Proceed. The consolidated net profit attributable to the equity holders of the Group will be increased due to higher income.

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Section I of Appendix IV to this supplemental circular, after completion of the Acquisition, the total assets of the Group will increase from approximately HK$3,122,192,000 as at 31 December 2008 to approximately HK$3,904,918,000, representing an increase of approximately HK$171,981,000 in cash and bank deposits and approximately HK$610,745,000 in available-for-sale financial assets. On the other hand, given that Target has no liability, the Acquisition is not expected to have material impact on the Group's liabilities as at 31 December 2009.

RELEVANT LISTING RULES REQUIREMENTS

As mentioned above, the Acquisition constitutes a major and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and is subject to reporting and announcement requirements, and approval of the Independent Shareholders at the SGM.

Voting at the SGM will be conducted by poll. June Glory, the controlling shareholder holding approximately 63.14% of the issued share capital of the Company as at the Latest Practicable Date, and its associates will abstain from voting on the Acquisition and the Acquisition Agreement at the SGM. An application will be made to the Stock Exchange for the listing of and the permission to deal in the Consideration Shares.

As Completion is subject to the fulfillment of the Conditions, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the existing authorised share capital of the Company are HK$200,000,000 divided into 2,000,000,000 Shares, of which 1,670,747,674 Shares have been issued and are fully paid or credited as fully paid. As such, the existing balance of authorised but unissued share capital of 329,252,326 Shares will be used for the allotment and issue of the Consideration Shares.

In order to cater for the issue of the Consideration Shares to Vendor, the Board proposed to increase the authorised share capital of the Company from HK$200,000,000 divided into 2,000,000,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of an additional 8,000,000,000 Shares.

REFRESHMENT OF GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES

At the annual general meeting of the Company held on 26 May 2009, the Directors were granted by the then Shareholders the Existing General Mandates. As at the date of passing such resolutions, there were a total of 1,113,831,783 Shares in issue and thus the Directors were authorised to, among other things, issue and allot 20% thereof, being 222,766,356 Shares pursuant to the terms of the Existing Issuance Mandate.

As a result of Rights Issue, the number of Shares in issue increased to 1,670,747,674. Notwithstanding with the fact that the said 20% mandate under the Existing Issuance Mandate has not been utilised during the period from the grant of the Existing Issuance Mandate to the Latest Practicable Date, the Directors consider that it is necessary to refresh the Existing General Mandates in order to reflect the enlarged issued share capital of the Company following the Rights Issue, enhance the flexibility of the Company to raise equity for funding future business development and to strengthen the capital base of the Company. Accordingly, the Directors propose to grant to the Directors the Refreshed General Mandates at the SGM.

As the number of new Shares to be allotted and issued under the Refreshed Issuance Mandate is, in percentage terms, the same as the unused portion of the Existing Issuance Mandate, pursuant to Rule 13.36(4)(e) of the Listing Rules, the Company is required to obtain Shareholders' approval and comply with Rule 13.36(4)(d) of the Listing Rules.

Assuming that no further Shares are to be issued or repurchased prior to the SGM, the Refreshed Issuance Mandate will grant to the Directors an authority to, among other things, allot and issue up to 334,149,534 new Shares.

An explanatory statement to provide Shareholders with the information reasonably necessary to enable them to make an informed decision in relation to the Refreshed Repurchase Mandate as required by the Listing Rules is set out in Appendix V to this supplemental circular.

SGM

As mentioned above, a special general meeting of the Company was held on 23 December 2008 to seek the approval of the Independent Shareholders for the Acquisition but was adjourned on the same date for the Directors to resolve some technical issues with certain of the Shareholders. As stated in the Latest Announcement, the Directors considered it desirable to leave the said special general meeting adjourned *sine die* (i.e. indefinitely) and to convene the SGM as a new special general meeting of the Company to seek the approval of the Independent Shareholders for the Acquisition. A notice of the SGM to be held at Garden Rooms, 2nd Floor, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Tuesday, 1 September 2009 at 10:30 a.m. is set out on pages SGM-1 to SGM-5 of this supplemental circular. At the SGM, resolutions will be proposed to the Independent Shareholders for approval of the Acquisition Agreement and the transactions contemplated thereunder, and to the Shareholders for approval of an increase in the authorised share capital of the Company, the refreshment of general mandates to issue new Shares and repurchase Shares, and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish. **Any form of proxy enclosed with the Circular, or otherwise delivered to the Company for use at the special general meeting of the Company held on 23 December 2008 will no longer be valid for use at the SGM. Shareholders are reminded to use the new form of proxy enclosed with this supplemental circular instead.**

Pursuant to Rule 13.39(4) of the Listing Rules, voting at the SGM will be conducted by poll. June Glory, the controlling shareholder holding approximately 63.14% of the issued share capital of the Company as at the Latest Practicable Date, and its associates will abstain from voting on the Acquisition and the Acquisition Agreement at the SGM. An announcement on the poll voting results of the SGM will be published on the websites of the Company and of the Stock Exchange following the SGM.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 20 to 21 of this supplemental circular containing the recommendation from the Independent Board Committee to the Independent Shareholders regarding the Acquisition; (ii) the letter of advice from Access Capital set out on pages 22 to 38 of this supplemental circular containing its advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition; and (iii) an explanatory statement of the Refreshed Repurchase Mandate set out on pages V-1 to V-3 of this supplemental circular.

The Directors are of the view that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. The Directors also consider the granting of the Refreshed General Mandates are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders and the Independent Shareholders to vote in favour of all the ordinary resolutions at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this supplemental circular.

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

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

12 August 2009

To the Independent Shareholders,

Dear Sir or Madam,

MAJOR (FORMERLY VERY SUBSTANTIAL ACQUISITION) AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF TARGET INVOLVING ISSUE OF CONSIDERATION SHARES AND AN INCREASE IN AUTHORISED SHARE CAPITAL

We refer to the circular dated 12 August 2009 of the Company (the "Supplemental Circular") of which this letter forms part. Terms defined in the Supplemental Circular bear the same meanings herein unless the context otherwise requires.

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

We wish to draw your attention to the letter from the Board set out on pages 8 to 19 of the Supplemental Circular which contains, among other things, information about the Acquisition, and the letter of advice from Access Capital set out on pages 22 to 38 of the Supplemental Circular which contains its advice in respect of the Acquisition.

* *For identification purpose only*

Having considered the reasons for and the benefits of the Acquisition and considering the principal factors and reasons taken into account by Access Capital in arriving at its opinion regarding the Acquisition set out in the letter of advice from Access Capital on pages 22 to 38 of the Supplemental Circular, we consider that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM in respect of the Acquisition.

Yours faithfully,
For and on behalf of
Independent Board Committee

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

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

Access Capital

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

12 August 2009

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

Dear Sirs,

MAJOR (FORMERLY VERY SUBSTANTIAL ACQUISITION) AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF TARGET INVOLVING ISSUE OF CONSIDERATION SHARES

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition. Details of the Acquisition are set out in the "Letter from the Board" contained in the supplemental circular dated 12 August 2009 issued by the Company to the Shareholders (the "Supplemental Circular"), of which this letter forms part. Unless otherwise stated, terms defined in the Supplemental Circular shall have the same meanings in this letter.

On 7 November 2008, the Board announced that MLI, a wholly-owned subsidiary of the Company (as purchaser), has entered into the Acquisition Agreement with Vendor (as seller) and Minmetals HK (as the seller's guarantor and warrantor) for the acquisition of the entire issued share capital of Target.

On 18 May 2009, the Second Supplemental Agreement was executed. Under the Second Supplemental Agreement, the parties agreed to reduce the Cash Proceed in consideration of Vendor procuring June Glory to underwrite the Rights Issue and to undertake irrevocably to take up its full entitlement to the new Shares under the Rights Issue. The Rights Issue was completed on 30 June 2009, and a total of approximately HK$355,678,526 was paid by June Glory under the Rights Issue (covering subscription monies and related brokerage commission fee). As at 30 June 2009, the amount of Cash Proceed, taking into account bank charges and interest income that have accrued and attributable to the Cash Proceed, was approximately HK$171,981,065.

The Consideration for the Acquisition will be determined based on the face value of the Cash Proceed and the agreed value of the Franshion Shares (i.e. the Agreed Value). The Agreed Value for the Franshion Shares was formerly determined based on the Franshion Current Market Price on the Previous Price Fixing Date, i.e. 90% of the 20-day average closing price per Franshion Share as quoted on the Stock Exchange ending on the Previous Price Fixing Date, but subject to maximum and minimum prices set by reference to 120% and 80% of the Franshion Current Market Price, respectively, as at the date of 7 November 2008, i.e. the date of the Announcement. The Convertible Preference Shares were formerly agreed to be issued at an issue price determined based on the MML Current Market Price on the Previous Price Fixing Date, that is the 20-day average closing price per Share as quoted on the Stock Exchange ending on the Previous Price Fixing Date, and also subject to maximum and minimum prices set by reference to 120% and 80% of the MML Current Market Price, respectively, as at the date of the Announcement.

On 23 July 2009 (i.e. the date of the Latest Announcement), the parties to the Acquisition Agreement have entered into the Third Supplemental Agreement, under which the Acquisition Agreement has been further amended, among other things, as follows:

(i) the Company will issue ordinary shares of HK$0.10 each in the share capital of the Company as the Consideration Shares in lieu of Convertible Preference Shares in satisfaction of the Consideration payable by the Group under the Acquisition Agreement, and

(ii) the Maximum Franshion Share Price, the Minimum Franshion Share Price, the Maximum MML Share Price and the Minimum MML Share Price have been re-set by reference to the Franshion Current Market Price and the MML Current Market Price (as the case may be) as at the date of the Latest Announcement in lieu of 7 November 2008, being the date of the Announcement.

Based on the revised size of the Acquisition, and more particularly the reduction in the Cash Proceed, the Acquisition constitutes a major transaction instead of a very substantial acquisition for the Company. Furthermore, Vendor is an indirect wholly-owned subsidiary of China Minmetals and therefore a connected person of the Company. Therefore, the Acquisition constitutes a major and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and is subject to the reporting and announcement requirements, and approval of the Independent Shareholders at the SGM.

Voting will be conducted by poll and June Glory, the controlling shareholder holding approximately 63.14% of the existing issued share capital of the Company as at the Latest Practicable Date, and its associates will abstain from voting on the Acquisition and the Acquisition Agreement at the SGM.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of nine Directors, namely Mr. Sun Xiaomin as the Chairman and a non-executive Director, Mr. Qian Wenchao, Mr. He Jianbo, Mr. Yin Liang, Mr. Yan Xichuan and Ms. He Xiaoli as executive Directors and Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria as independent non-executive Directors. The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Lam Chun, Daniel, Mr. Selwyn

Mar and Ms. Tam Wai Chu, Maria, has been established to advise the Independent Shareholders as to whether the Acquisition is in the interests of the Company and the Shareholders as a whole and as to whether the terms of the Acquisition Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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

III. BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular, Supplemental Circular and the information and representations provided to us by the Company and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular, Supplemental Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Supplemental Circular.

We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular and the Supplemental Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular and the Supplemental Circular.

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

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

A. Background events leading to the Acquisition

Since the entering of the Acquisition Agreement on 7 November 2008 in relation to the acquisition of Target, the Company has modified the transaction structure through the

Second Supplemental Agreement, which resulted in the successful implementation of the Rights Issue and reduction of the amount of the Cash Proceed for application in the Rights Issue. The Third Supplemental Agreement, upon its implementation, would allow the Company to complete the acquisition of all the assets of Target as contemplated under the Acquisition Agreement.

The Directors advised that they consider that the implementation of the Second Supplemental Agreement is designed to serve the objectives of allowing Shareholders to participate in the expansion of the share capital base of the Company by virtue of the Rights Issue. In addition, the issue of the Consideration Shares in lieu of Convertible Preference Shares in satisfaction of the Consideration payable by the Group will leave in place a more simple capital structure and allay any market concern in relation to any market overhang caused by a substantial amount of unlisted Convertible Preference Shares.

We concur with the views of Directors that the implementation of the Third Supplemental Agreement serves to complete the acquisition of the remaining assets of Target, and allowing the financing of the said assets through Consideration Shares, to be issued at a price which is set at a level to be considerably higher than the subscription price of the Rights Issue of HK$0.94 per Share, or the issue price of the Convertible Preference Shares of between HK$0.35 and HK$0.44 under the Acquisition Agreement. Accordingly, we concur with the views of the Directors that the arrangements under the Second Supplemental Agreement and the Third Supplemental Agreements to be, with hindsight, more advantageous to the Company than those envisaged under the Acquisition Agreement.

B. Recent developments of the Company's strategy in its real estate business

Following the approval of the China State-owned Assets Supervision and Administration Commission in July 2007 for the China Minmetals Group to adopt real estate development and operations as one of its core businesses, China Minmetals and the Group have been actively working together to implement the stated strategy to consolidate the former's real estate resources and transform the Company into China Minmetals' sole listed real estate development flagship within the China Minmetals Group.

As disclosed in the Company's 2008 annual report, approximately 78.5% of the Group's revenue for the year ended 31 December 2008 was derived from real estate related business, consisting of revenue from (i) real estate development and project management; and (ii) property investment. Furthermore, the Group's strategy of restructuring its non-core businesses achieved a significant step in 2008 as demonstrated by the completion of the disposal of the Group's lubricant oil business.

Leveraging off the support, commitment and business connections of the China Minmetals Group, the Group has collaborated closely with the China Minmetals Group as part of the above-mentioned strategy. These collaborations include (i) the Group's joint venture real estate development in Changsha, the PRC with Ershisanye Construction Group Co., Ltd, a subsidiary of China Minmetals; (ii) the appointment of Ershisanye Construction Group Co., Ltd as the main contractor for the construction of phase I of the Laguna Bay Project in Nanjing, the PRC and part of phase I of the LOHAS International Community Project in Changsha, the PRC; (iii) the sale of the entire interest in China Minmetals Tower in Hong Kong to the Group; and (iv) the participation of a joint venture in a real estate development project in Nanjing, the PRC.

In view of the rapid expansion of the Group's exposure to the real estate development and investment business, the Directors are very conscious of the importance of adhering to the strategy of maintaining a strong asset base of liquid assets (in cash or assets that can be liquidated readily), which can serve to insulate the Group from the vicissitude and volatility of the property and credit markets, and provide the Group with an ample reserve of funding capacity for it to invest judiciously in attractive opportunities.

C. Strategic reasons for the Acquisition

The assets being acquired under the Acquisition consists of (a) the amount of Cash Proceed which is approximately HK$172 million; and (b) the Franshion Shares.

Cash Proceed

The Directors believe that the Cash Proceed of approximately HK$172 million would further augment the Group's cash position following the completion of the Rights Issue in June 2009 which raised net proceeds of approximately HK$522 million. The expected expanded cash position would be applied to finance its real estate development projects. In this connection, we have discussed with the Company and understand that they are actively considering a pipeline of real estate investment opportunities.

Franshion Shares

Through the Acquisition, the Company will own a holding of 230,469,921 Franshion Shares, which represented approximately 2.52% of the issued share capital of Franshion as at the Latest Practicable Date. Franshion's shares are listed on the Main Board of the Stock Exchange and Franshion holds a large portfolio and a strong mix of high-end commercial properties in major cities in the PRC such as Shanghai and Beijing. During 2008, the completion of the acquisition of the Jin Mao Group significantly augmented the property portfolio held by Franshion with high quality commercial and hotel properties. Further, as stated in the announcement of Franshion dated 22 July 2009, Franshion intends to use the net proceeds of the subscription of its shares of approximately HK$1,149 million for, among other purposes, future acquisitions of the Franshion Group. Given that the above-mentioned high quality asset portfolio and the available cash to Franshion for future acquisitions, the Directors believe that the Franshion Shares represent an attractive investment opportunity for the Group to participate in the future prospects in the PRC property market as well as in the market value of the Franshion Shares.

Given the Group's strategy to maintain a strong base of cash reserve and readily realizable liquid assets for its future expansion needs, and the prospects of participating in the PRC high-end property market segments engaged in by Franshion, the Directors consider the Acquisition to be consistent with the Group's long-term strategy to become a major real estate development and investment group.

Having experienced the tight credit market and turbulent equity market conditions caused by the fallout of financial markets a few months earlier, the Acquisition thus would meet a dual strategic goal of maximizing the Group's funding capacity and capability, and to capture any future appreciation potential of the Franshion Shares, which can be readily monetized through disposals if circumstances warrant. Accordingly, we concur with the Board on the strategic merits of the Acquisition.

D. Analysis of the terms of the Acquisition Agreement

The following sets out our analysis of the terms of the Acquisition Agreement:

Assets involved

The entire issued share capital of Target of which assets comprise:

(a) approximately HK$171,981,065 in cash, and

(b) 230,469,921 Franshion Shares which represents approximately 2.52% of the issued share capital of Franshion as at the Latest Practicable Date.

Consideration

The value of the Consideration will be based on the aggregate of the face value of the Cash Proceed (i.e. approximately HK$171,981,065) and the Agreed Value of the Franshion Shares.

The Agreed Value based on the Franshion Current Market Price on the Price Fixing Date, i.e. 90% of the 20-day average closing price per Franshion Share as quoted on the Stock Exchange ending on the Price Fixing Date, and subject to the maximum and minimum caps of the Agreed Value have been re-set as follows:

(a) the Maximum Franshion Share Price is HK$2.90 per Franshion Share, being 120% of the Franshion Current Market Price as at the date of the Latest Announcement, in lieu of HK$1.68 per Franshion Share, being 120% of the Franshion Current Market Price as at the date of the Announcement; and

(b) the Minimum Franshion Share Price is HK$1.94 per Franshion Share, being 80% of the Franshion Current Market Price as at the date of the Latest Announcement, in lieu of HK$1.12 per Franshion Share, being 80% of the Franshion Current Market Price as at the date of the Announcement.

The Maximum Franshion Share Price and the Minimum Franshion Share Price respectively represent:

(a) a premium of approximately 13.73% and a discount of approximately 23.92% to the closing price of HK$2.55 per Franshion Share as quoted on the Stock Exchange on 23 July 2009, being the date of the Latest Announcement; and

(b) a premium of approximately 9.85% and a discount of approximately 26.52% to the 10-day average closing price of HK$2.64 per Franshion Share as quoted on the Stock Exchange, from 10 July 2009 to the date of the Latest Announcement.

The Consideration will be satisfied by the allotment and issue of Consideration Shares, in lieu of Convertible Preference Shares, each credited as fully paid at the Consideration Share Issue Price, which will remain to be determined based on the MML Current Market Price on the Price Fixing Date, that is the 20-day average closing price per Share as quoted on the Stock Exchange ending on the Price Fixing Date, but subject to a revised maximum and minimum price re-set as follows:

(a) the Maximum MML Share Price is HK$1.56 per Share, being 120% of the MML Current Market Price as at the date of the Latest Announcement, in lieu of HK$0.53 per Share, being 120% of the MML Current Market Price as at the date of the Announcement; and

(b) the Minimum MML Share Price is HK$1.04 per Share, being 80% of the MML Current Market Price as at the date of the Latest Announcement, in lieu of HK$0.35 per Share, being 80% of the MML Current Market Price as at date of the Announcement.

The Maximum MML Share Price and the Minimum MML Share Price respectively represent:

(a) a discount of approximately 6.02% and 37.35% to the closing price per Share of HK$1.66 as quoted on the Stock Exchange on 23 July 2009, being the date of the Latest Announcement; and

(b) a premium of approximately 11.43% and a discount of approximately 25.71% to the 10-day average closing price per Share of HK$1.40 as quoted on the Stock Exchange for the period from 10 July 2009 to 23 July 2009, being the date of the Latest Announcement.

Conditions

The conditions of the Acquisition Agreement have been amended so that Completion shall be conditional upon the fulfillment of, among other things, the following Conditions on or before 31 December 2009 or such later date as may be agreed among the parties to the Acquisition Agreement:

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

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

(c) Shareholders approving the increase in the authorised share capital of the Company to an extent sufficient to allow for the issue of the Consideration Shares.

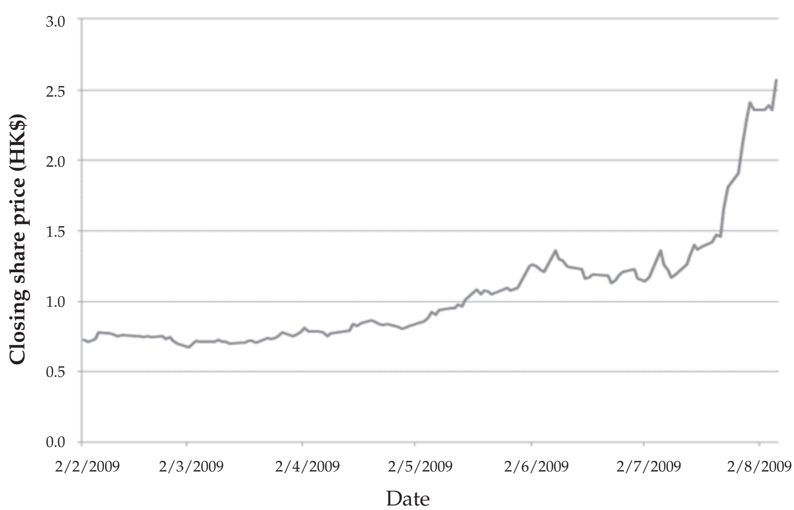
Reasons for the price determination mechanism

Attention of the Independent Shareholders is drawn to the volatility level in the respective share prices of the Company and Franshion in recent months.

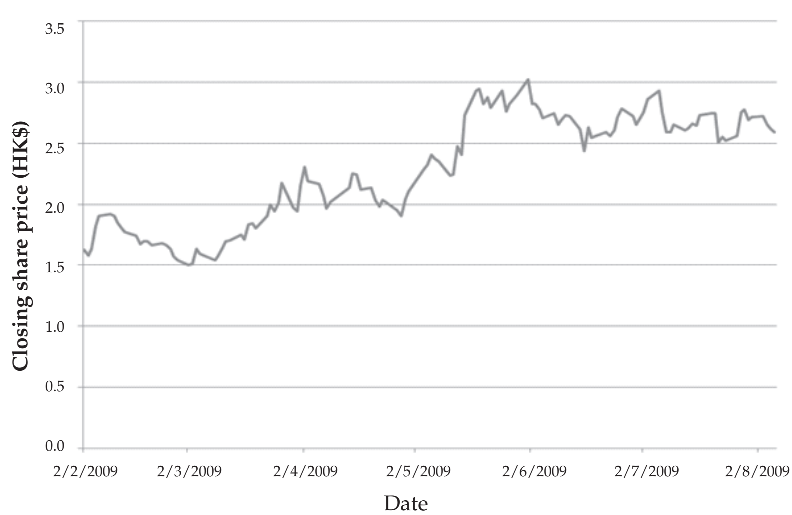
The following charts set out the share prices of the Company and Franshion for the 6-month period from 2 February 2009 (being the first trading day of February 2009) to the Latest Practicable Date.

Share Performance

The Company



Franshion



Source: website of the Stock Exchange – www.hkex.com.hk

As shown in the above charts, the share prices of both companies have been subject to relatively higher degrees of volatility from the beginning of May 2009. Table A and Table B below show the closing share price range movement of the Company and Franshion since 1 May 2009 up to 23 July 2009 (i.e. the date of the Third Supplemental Agreement and the Latest Announcement) and the Latest Practicable Date.

Table A – Closing prices of the Shares (1 May 2009 to the Latest Practicable Date)

The Company	May	June	1-23 July	24 July to the Latest Practicable Date
(a) Highest (HK$)	1.09	1.36	1.66	2.57
(b) Lowest (HK$)	0.86	1.13	1.14	1.81
(c) Range in %	26.7%	20.4%	45.6%	42.0%

Table B – Closing prices of the shares of Franshion (1 May 2009 to the Latest Practicable Date)

Franshion	May	June	1-23 July	24 July to the Latest Practicable Date
(a) Highest (HK$)	2.94	3.02	2.93	2.77
(b) Lowest (HK$)	2.23	2.43	2.50	2.52
(c) Range in %	31.8%	24.3%	17.2%	9.9%

* $c = (a - b)/b$

In order to mitigate the effect of any significant short-term volatility and movement in share prices, Vendor and the Company have agreed to adopt the price determination mechanism ("Pricing Mechanism") in respect of the Consideration Shares Issue Price and the Agreed Value of the Franshion Shares under the Acquisition Agreement.

Under the Pricing Mechanism and the Third Supplemental Agreement, a pre-determined band for both the Agreed Value of the Franshion Shares and the Consideration Shares Issue Price was fixed by reference to the relevant limits (of 120% in the case of maximum limit and 80% of the minimum limit) of the Franshion Current Market Price and the MML Current Market Price respectively at the date of the Latest Announcement. The final amount of the Agreed Value of the Franshion Shares and the Consideration Shares Issue Price will be fixed at the Price Fixing Date, subject to the above-mentioned maximum and minimum price limits. The following sets out the relevant share prices of Franshion and of the Company under the Pricing Mechanism:

Table C – Share prices of Franshion and of the Company under the Pricing Mechanism

(in HK$)	**Franshion**	**Company**
Franshion Current Market Price/MML Current Market Price as at the date of the Latest Announcement	2.42	1.30
Maximum Franshion Share Price/Maximum MML Share Price	2.90	1.56
Minimum Franshion Share Price/Minimum MML Share Price	1.94	1.04

The Directors believe that the amendments to the Acquisition Agreement on terms of the Third Supplemental Agreement allow for the re-setting of the Maximum Franshion Share Price and the Minimum Franshion Share Price, as well as the Maximum MML Share Price and the Minimum MML Share Price, which enables the Agreed Value for the Franshion Shares and the Consideration Shares Issue Price to more accurately reflect the latest trading prices of the Shares and the Franshion Shares.

Having considered the fact that (i) the maximum and minimal values of the Agreed Value at the Price Fixing Date are subject to the same adjustment percentages and 20-day average closing prices for the shares of the Company and Franshion have been used in the Pricing Mechanism; (ii) the Agreed Value of the Franshion Shares will remain at a discount of 10% to the prevailing trading price of the Franshion Shares which will be subject to adjustments under the Pricing Mechanism; and (iii) the Consideration Shares Issue Price will be marked to the prevailing trading price of the Shares, we concur with the Directors that the Pricing Mechanism is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Discount value of the Franshion Shares under the Acquisition

Subject to the adjustments (if any) set out in the Pricing Mechanism, the Agreed Value of the Franshion Shares will be at a 10% discount to the prevailing defined trading price of the Franshion Shares. This discount level provides a degree of buffer against a possible decrease in the Franshion share price as long as its prevailing market price is above the Minimum Franshion Share Price. Independent Shareholders should note that in the event that the market price of the Franshion Shares falls below the Minimum Franshion Share Price of HK$1.94, the Company would stand to incur a loss on its holding of the Franshion Shares. In this connection, we have made reference to certain analysts reports on Franshion published during May and June 2009 and we noted that the applicable target prices of these reports are both above the Minimum Franshion Share Price.

Liquidity of the shares of Franshion

The following Table D sets out the average daily trading volume of the shares of Franshion since 1 August 2008.

Table D – Average daily trading volume of the shares of Franshion (1 August 2008 – Latest Practicable Date)

	Average daily trading volume
2008	
August	5,064,684
September	6,722,735
October	7,909,782
November	19,906,050
December	21,145,667
2009	
January	7,049,333
February	10,126,478
March	9,680,758
April	19,736,479
May	39,225,130
June	28,330,655
1-23 July	33,833,975*
24 July to Latest Practicable Date	83,269,429

Source: The Stock Exchange website

* *The above figures exclude the issuance of shares in connection with the placing and subscription of shares announced by Franshion on 22 July 2009. The 1,005,480,000 Franshion Shares traded on 22 July 2009 have been excluded from the calculation for Table D above as it is substantially larger than the average daily trading volume.*

Based on this, the daily trading volume of the shares of Franshion in 2009 has generally increased, with the daily average for the first six months of the year reaching some 19 million shares. In light of the reasonable liquidity flow of the shares of Franshion and the fact that Franshion has been covered by various equity analysts in various international financial institutions, there should be a reasonable prospect for the Company to realize its investment in the Franshion Shares in the market in an orderly manner should circumstances warrant.

E. Possible effects of the Acquisition

*Effects on net asset value ("**NAV**") per Share and Share price discount to the underlying NAV per Share*

After completion of the Rights Issue on 30 June 2009, the Shares have been trading at or around the NAV per Share of approximately HK$1.38 ("**Adjusted**

NAV"), based on audited consolidated financial statements of the Group for the year ended 31 December 2008 and taking into account of the effects of the Rights Issue, leading up to the date of the Latest Announcement. The MML Current Market Price of HK$1.30 as at the date of the Latest Announcement represents a small discount of approximately 5.8% to the Adjusted NAV per Share.

Shareholders should note that when the market price of Shares is traded at a discount to the NAV per Share, arithmetically, any new issue of Shares which are priced at a discount to the NAV per Share would result in a decrease in the NAV per Share. On the other hand, if Shares are issued at a premium to the NAV per Share, this would result in an increase in the NAV per Share. For further analysis, please refer to "Table E – Possible effects on NAV per Share" below.

Table E – Possible effects on NAV per Share

All figures in HK$ unless otherwise stated	**Before the Acquisition**	**Maximum Franshion Share Price**	**Maximum Franshion Share Price**	**Minimum Franshion Share Price**	**Minimum Franshion Share Price**
		Maximum MML Share Price	**Minimum MML Share Price**	**Maximum MML Share Price**	**Minimum MML Share Price**
Audited NAV as at 31.12.2008	1,776,978,000				
Rights Issues	522,000,000				
NAV after Rights Issues	2,298,978,000	2,298,978,000	2,298,978,000	2,298,978,000	2,298,978,000
Value of Consideration for the Acquisition		840,343,836	840,343,836	619,092,712	619,092,712
Enlarged NAV after the Acquisition		3,139,321,836	3,139,321,836	2,918,070,712	2,918,070,712
No. of Shares in issue after Right Issues	1,670,747,674	1,670,747,674	1,670,747,674	1,670,747,674	1,670,747,674
No. of Shares to be issued		538,681,946	808,022,919	396,854,302	595,281,454
Enlarged no. of Shares in issue after Acquisition		2,209,429,620	2,478,770,593	2,067,601,976	2,266,029,128
NAV per Share after the Rights Issue and the Acquisition	1.38	1.42	1.27	1.41	1.29
Increase/(dilution) in NAV per Share post-Acquisition		3.3%	(0.8)%	2.6%	(6.4)%
Implied discount on Franshion Shares *(Note)*		74,262,530	74,262,530	49,679,072	49,679,072
Post-Acquisition adjusted NAV per Share		1.45	1.30	1.44	1.31
Increase/(dilution) in NAV per Share post-Acquisition (adjusted for implied discount)		**5.7%**	**(5.8)%**	**4.3%**	**(4.8)%**

Note: The implied discount relates to the Agreed Value which is based on 90% of the 20-day average closing price per Franshion Share ending on the Price Fixing Date.

Based on the above Table E and on the assumptions that the respective market prices of the Shares and the shares of Franshion trades within the prescribed maximum and minimum prices, the implementation of the Acquisition is expected to result in a rather neutral impact on NAV per Share (after taken into account the effects on NAV by the Rights Issue) in the range of an enhancement of approximately 5.7% and a discount of approximately 5.8%.

Shareholders are reminded that the information contained in the above Table E is based on currently available data under the Acquisition. There is no assurance that the Shares would trade at the price levels indicated in Table E, and consequently the stated effects on the NAV position may or may not be materialized. Shareholders are therefore urged to exercise extreme caution when interpreting their conclusions drawn from the above Table E accordingly.

Liquidity position

As at 31 December 2008, the Group has cash and bank deposits of approximately HK$636 million and total borrowings of approximately HK$639 million. As at 30 June 2009, being the date of the indebtedness statement as set out in Appendix IV to the Supplemental Circular, the Enlarged Group had aggregate outstanding borrowings of approximately HK$1,606 million. The increase in borrowings, mainly comprised of bank loans, was to finance the Group's real estate development projects. The Rights Issue that was completed on 30 June 2009 raised approximately HK$522 million for the Company. The Acquisition when completed will raise further cash of approximately HK$172 million. The Directors consider that the increase in cash holdings of the Group would position the Group to meet the expected funding requirements of the Group in existing property development projects and future acquisition(s) of real estate projects should opportunities arise.

The Group's shareholders' funds will also be increased as a result of the implementation of the Acquisition which on the other hand will not increase the Group's borrowings. In addition, the Acquisition will reduce the gearing of the Group, being the aggregate outstanding borrowings of the Group over the total equity of the Group, and enhance the financial capability and flexibility of the Group further.

Earnings

The income of the Group may be increased by the amount of any dividend receivable on the Franshion Shares after the Completion. According to the annual report of Franshion for the year ended 31 December 2008, Franshion paid out a total dividend of HK$2 cents per share of Franshion for the year.

The Group's earnings is expected to be improved if the Cash Proceed is either placed as deposits in banks for interest income or used to reduce interest expenses by repaying part of the Group's bank borrowings.

Assets and liabilities

After the Completion, the total assets of the Group will increase from approximately HK$3,122 million as at 31 December 2008 by a range of approximately HK$619 million and HK$840 million consisting of (a) an increase of approximately HK$172 million in cash from the Cash Proceed and (b) a range of value attributable to the Franshion Shares of between approximately HK$447 million and approximately HK$668 million in available-for-sale financial assets. As set out in Appendix IV to the Supplemental Circular, total assets of the Enlarged Group will increase to approximately HK$3,905 million after taking into account of the Cash Proceed and the Franshion Shares at the market price as at 30 June 2009. On the other hand, given that Target has no liabilities, the Acquisition is expected to have no impact on the Group's liabilities for the year ending 31 December 2009.

Shareholding position

Assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares, the holding structure of the share capital of the Company (i) before completion of the Acquisition; (ii) immediately after completion of the Acquisition based on the Maximum Franshion Share Price and the Minimum MML Share Price as mentioned above; and (iii) immediately after completion of the Acquisition based on the Minimum Franshion Share Price and the Maximum MML Share Price as mentioned above are set out below:

Table F – Shareholding Structure

	Before completion of the Acquisition		**Immediately after completion of the Acquisition based on the Maximum Franshion Share Price and the Minimum MML Share Price** *(note 3)*		**Immediately after completion of the Acquisition based on the Minimum Franshion Share Price and the Maximum MML Share Price**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
June Glory *(note 1)*	1,054,878,778	63.14	1,054,878,778	42.55	1,054,878,778	51.02
The Vendor *(note 2)*	Nil	Nil	808,022,919	32.60	396,854,302	19.19
Sub total	1,054,878,778	63.14	1,862,901,697	75.15	1,451,733,080	70.21
Independent Shareholders	615,868,896	36.86	615,868,896	24.85	615,868,896	29.79
Total	1,670,747,674	100.00	2,478,770,593	100.00	2,067,601,976	100.00

Notes:

1. June Glory is an indirect wholly-owned subsidiary of China Minmetals held as to 71% directly by Minmetals HK and 29% by Cheemimet Finance Limited, a wholly-owned subsidiary of Minmetals HK.

2. Vendor is an indirect wholly-owned subsidiary of China Minmetals.

3. As set out in the second column of the above table, less than 25% of the issued shares of the Company may be held by the public as a result of completion of the Acquisition based on the Maximum Franshion Share Price and the Minimum MML Share Price. As mentioned above, the Company would not, and would not be required to issue any Consideration Shares to an extent where its public float immediately following Completion would be less than 25% of the Company's total issued share capital. For this purpose, Vendor, Minmetals HK and June Glory have given an irrevocable undertaking in favour of the Company on the date of the Latest Announcement, whereby each of Vendor and Minmetals HK has undertaken to the Company to procure June Glory and June Glory has undertaken to the Company, in the event the Company is unable to satisfy the 25% public float requirement under Rule 8.08 of the Listing Rules immediately after completion of the Acquisition as a result of the issue of the Consideration Shares, to take appropriate measures, including selling its own interest in the Company, to restore the public float of the Company to at least 25% of the Company's total issued share capital on or before Completion.

Based on Table F, the shareholding of the Independent Shareholders will be diluted from 36.86% of the Company's issued share capital to (a) 24.85% of the Company's enlarged Share capital assuming the adoption of the Maximum Franshion Share Price and the Minimum MML Share Price, and (b) 29.79% of the Company's enlarged Share capital assuming the adoption of the Minimum Franshion Share Price and the Maximum MML Share Price.

Independent Shareholders should note that the range of number of Consideration Shares issuable to Vendor of between approximately 396.9 million Shares and 808.0 million Shares as set out in Table F is considerably less than the range of number of Shares convertible under the Convertible Preference Shares under the Acquisition Agreement of between approximately 1,481.3 million Shares and 2,612.0 million Shares as set out in page 37 of the Circular.

For illustrative purpose, set out in the following is Table G comprising (a) the number of Shares which would have been issued upon full conversion of the Convertible Preference Shares under the Acquisition Agreement entered into on 7 November 2008, and (b) the number of Shares that was issued under the Rights Issue and to be issued under the Acquisition Agreement.

Table G – Comparison of Consideration and assets to be acquired under the Acquisition before and after the respective supplemental agreements

	(i) Before the respective supplemental agreements		**(ii) After the respective supplemental agreements**	
	No. of Shares to be held by June Glory	Possible dilution on public Shareholders	No. of Shares to be held by June Glory	Possible dilution on public Shareholders
Consideration				
Minimum number of Shares on full conversion of the Convertible Preference Shares	1,481,385,280	(18.3)%		
Minimum number of Consideration Shares to be issued together with Shares subscribed by June Glory under the Rights Issue			775,147,228^	(7.1)%
Maximum number of Shares on full conversion of the Convertible Preference Shares	2,611,992,441	(22.5)%		
Maximum number of Consideration Shares to be issued together with Shares subscribed by June Glory under the Rights Issue			1,186,315,845^	(12.0)%

^ *includes 378,292,926 Shares from the Rights Shares subscribed by June Glory*

Assets to be acquired	Before the respective supplemental agreements	After the respective supplemental agreements
Cash from Rights Issue	–	355,595,350
Cash Proceed	527,007,887	171,981,065
Total Cash (HK$)	527,007,887	527,576,415
Franshion Share (no. of shares)	230,469,921	230,469,921

Based on the above analysis, the possible dilution on public Shareholders is smaller under the revised terms of the respective supplemental agreements on the Acquisition.

V. RECOMMENDATION

Having considered the principal factors and reasons set out in section IV of this letter, we concur with the view of the Board that the Acquisition to be consistent with the Company's stated strategy to become a major property development and operations group and hence the implementation of the Acquisition is in the interests of the Company and the Shareholders as a whole. We have also considered the terms of the Acquisition and the expected financial effects and shareholding dilution effects, and are satisfied that the terms of the Acquisition Agreement are of normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Acquisition at the SGM.

Yours faithfully,
For and on behalf of
Access Capital Limited

Ambrose Lam
Principal Director

Jimmy Chung
Principal Director

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

12 August 2009

The Directors
Minmetals Land Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Luck Achieve Limited ("Target") set out in Sections I to III below, for inclusion in the circular of Minmetals Land Limited (the "Company") dated 12 August 2009 (the "Supplemental Circular") in connection with the proposed acquisition of the entire equity interests of Target involving an issue of ordinary shares by the Company. The Financial Information comprises the balance sheet of Target as at 30 June 2009, and the income statement, the statements of comprehensive income and changes in equity and the cash flow statement of Target for the period from 28 August 2008 (date of incorporation) to 30 June 2009 (the "Relevant Period"), and a summary of significant accounting policies and other explanatory notes.

Target was incorporated in the British Virgin Islands as a limited liability company on 28 August 2008. It adopts 31 December as its financial year end date.

No audited financial statements have been prepared for Target since the date of its incorporation as it was newly incorporated and the directors have regarded the period from 28 August 2008 (date of incorporation) to 31 December 2009 as the first financial period of Target.

The Financial Information as set out in Sections I to III below has been prepared based on the unaudited financial statements of Target with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY

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

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

REPORTING ACCOUNTANT'S RESPONSIBILITY

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

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Target as at 30 June 2009, and of its results and cash flows for the Relevant Period.

I. FINANCIAL INFORMATION OF TARGET

INCOME STATEMENT

	Note	For the period from 28 August 2008 (date of incorporation) to 30 June 2009 HK$'000
Loss on disposal of available-for-sale financial assets	*8*	(83,985)
Interest income		652
Loss for the period		(83,333)
Attributable to:		
Equity holder of Target		(83,333)
Dividend	*7*	355,679

BALANCE SHEET

	Note	As at 30 June 2009 HK$'000
ASSETS		
Non-current assets		
Available-for-sale financial assets	*8*	610,745
Current assets		
Cash and cash equivalents		171,981
Total assets		782,726
EQUITY		
Capital and reserves attributable to equity holder of Target		
Share capital	*9*	–
Reserves	*10*	782,726
Total equity		782,726

STATEMENT OF COMPREHENSIVE INCOME

	Note	For the period from 28 August 2008 (date of incorporation) to 30 June 2009 *HK$'000*
Loss for the period		(83,333)
Other comprehensive income		
Revaluation gain on available-for-sale financial assets	*8*	138,282
Total comprehensive income for the period		54,949

STATEMENT OF CHANGES IN EQUITY

	For the period from 28 August 2008 (date of incorporation) to 30 June 2009		
	Share capital	**Reserves**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Issue of ordinary shares	–	1,083,456	1,083,456
Dividend paid	–	(355,679)	(355,679)
Total comprehensive income for the period	–	54,949	54,949
As at 30 June 2009	–	782,726	782,726

CASH FLOW STATEMENT

	Note	For the period from 28 August 2008 (date of incorporation) to 30 June 2009 HK$'000
Operating activities		
Loss for the period		(83,333)
Interest income		(652)
Loss on disposal of available-for-sale financial assets		83,985
Net cash generated from operating activities		–
Investing activities		
Interest received		652
Net proceeds from disposal of available-for-sale financial assets	*8*	527,008
Net cash generated from investing activities		527,660
Financing activities		
Dividend paid		(355,679)
Net cash used in financing activities		(355,679)
Increase in cash and cash equivalents		171,981
Cash and cash equivalents as at 28 August 2008 (date of incorporation)		–
Cash and cash equivalents as at 30 June 2009		171,981

II. NOTES TO THE FINANCIAL INFORMATION

1 ORGANISATION AND OPERATIONS

Luck Achieve Limited ("Target") is a limited liability company incorporated in the British Virgin Islands on 28 August 2008. The address of its registered office is P.O. Box 3340, Road Town, Tortola, the British Virgin Islands.

The principal activity of Target is investment holding.

The immediate holding company of Target is Mountain Trend Global Limited and the ultimate holding company is China Minmetals Corporation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The Financial Information of the Target has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The Target has early adopted HKAS 1 (Revised) during the period. Accordingly, all "non-owner changes in equity" have been excluded from the statement of changes in equity and separately presented in a statement of comprehensive income.

(b) 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.

(c) Functional and presentation currency

The Financial Information is presented in Hong Kong dollars ("HK$" or HK dollars), which is Target's functional and presentation currency.

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(d) Interest income

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

(e) Share capital

Share capital is classified as equity.

(f) Financial assets

Target's financial assets are classified as available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

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 Target 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. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Target has transferred substantially all risks and rewards of ownership.

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

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

Target 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.

(g) Cash and cash equivalents

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

3 FINANCIAL RISK FACTORS AND MANAGEMENT

3.1 Financial risk factors

Target's activities expose it to price risk and credit risk.

(i) Price risk

Target is exposed to equity securities price risk because the investment held by Target is classified on the balance sheet as available-for-sale. Target is not exposed to commodity price risk.

As at 30 June 2009, if the period end share price of the available-for-sale financial assets had increased/decreased by 20%, Target's equity would have been approximately HK$122,149,000 higher/lower.

(ii) Credit risk

Target's credit risk primarily arises from deposit with a bank, which is denominated in Hong Kong dollar. The credit risk on deposit with a bank is limited because the counterparty is a bank with sound credit ratings assigned by international credit-rating agencies.

3.2 Capital risk management

The total equity of Target represents the capital structure of Target.

Target's objectives when managing capital are to safeguard Target's ability to continue as a going concern in order to provide returns for shareholder. Target obtains its financial support from its immediate holding company.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5 SEGMENT INFORMATION

(a) Business segments

No segment analysis for business segment is presented as all operations of Target are solely relating to investment holding.

(b) Geographical segments

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

6 LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this accountant's report, is not considered meaningful.

7 DIVIDEND

On 17 June 2009, a special dividend of approximately HK$177,840,000 per ordinary share was paid to the shareholder of Target, totalling approximately HK$355,679,000.

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	HK$'000
As at 28 August 2008 (date of incorporation)	–
Additions	1,555,919
Disposal	(1,083,456)
Revaluation gain	138,282
As at 30 June 2009	610,745

As at 30 June 2009, available-for-sale financial assets comprise solely 230,469,921 shares of Franshion Properties (China) Limited, a company listed in Hong Kong which are stated at fair value.

Available-for-sale financial assets with a carrying value of approximately HK$1,083,456,000 was disposed of during the period at a consideration comprising (a) cash amounting to approximately HK$527,008,000, and (b) the Hong Kong listed equity securities with a fair value of approximately HK$472,463,000.

9 SHARE CAPITAL

	As at 30 June 2009 *HK$'000*
Authorised:	
50,000 ordinary shares of US$1 each	390
Issued and fully paid:	
2 ordinary shares of US$1 each	–

Target was incorporated in the British Virgin Islands on 28 August 2008 as a limited liability company with an authorised share capital of US$50,000.

On 26 September 2008, 1 ordinary share of US$1 was issued, at par to the subscribing shareholder for cash.

On 16 December 2008, 1 ordinary share of US$1 was issued, at RMB960,000,000 (approximately HK$1,083,456,000) as consideration for the acquisition of 10.6452% equity interest in 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited), an unlisted company established under the laws of the PRC which was completed on 22 December 2008 and was a non-cash transaction during the period.

10 RESERVES

	Share premium	Available-for-sale financial assets revaluation reserve	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issue of shares	1,083,456	–	–	1,083,456
Revaluation gain on available-for-sale financial assets	–	138,282	–	138,282
Loss for the period	–	–	(83,333)	(83,333)
Dividend paid	(355,679)	–	–	(355,679)
Balance as at 30 June 2009	727,777	138,282	(83,333)	782,726

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Target in respect of any period subsequent to 30 June 2009. No dividend or distribution has been declared, made or paid by Target in respect of any period subsequent to 30 June 2009 and up to the date of this report.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

FINANCIAL INFORMATION SUMMARY

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2006, 2007 and 2008, as extracted from the relevant annual reports of the Company which are not subject to any qualified opinion. For the purpose of this summary, the comparative figures of the financial results of the Group for the years ended 31 December 2006 and 2007 have been reclassified to conform with the presentation of the results of a discontinued operation of the Group, which was shown as a net amount in the Group's consolidated income statement for the year ended 31 December 2008.

Financial Results

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	
Revenue	238,154	365,314	1,166,307
Operating profit	101,404	151,420	182,894
Finance income	1,491	8,580	17,238
Finance costs	(928)	(1,561)	(400)
Profit before tax	101,967	158,439	199,732
Tax charge	(138)	(229)	(70,948)
Profit for the year from continuing operations	101,829	158,210	128,784
Profit/(loss) for the year from discontinued operations	4,016	1,288	(475)
Profit for the year	105,845	159,498	128,309
Profit attributable to:			
Equity holders of the Company	105,845	162,653	140,864
Minority interests	–	(3,155)	(12,555)
	105,845	159,498	128,309

Financial Position

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	329,538	370,503	984,641
Current assets	945,628	2,390,263	2,137,551
Total assets	1,275,166	2,760,766	3,122,192
Capital and reserves attributable to equity holders of the Company	817,829	878,090	1,582,060
Minority interests	–	195,246	194,918
Total equity	817,829	1,073,336	1,776,978
Non-current liabilities	105,866	213,345	18,228
Current liabilities	351,471	1,474,085	1,326,986
Total liabilities	457,337	1,687,430	1,345,214
Total equity and liabilities	1,275,166	2,760,766	3,122,192

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2008

The following information is extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2008:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations:			
Revenue	5	1,166,307	365,314
Cost of sales	7	(945,503)	(332,923)
Gross profit		220,804	32,391
Other gains	6	2,766	142,221
Selling and distribution costs	7	(40,462)	(10,677)
Administrative expenses	7	(73,091)	(50,441)
Revaluation gain on investment properties	16	72,877	50,480
Impairment of goodwill	17	–	(12,554)
Operating profit		182,894	151,420
Finance income	9	17,238	8,580
Finance costs	9	(400)	(1,561)
Profit before tax		199,732	158,439
Tax charge	10	(70,948)	(229)
Profit for the year from continuing operations		128,784	158,210
(Loss)/profit for the year from discontinued operations	11	(475)	1,288
Profit for the year		128,309	159,498
Attributable to:			
Equity holders of the Company	12	140,864	162,653
Minority interests		(12,555)	(3,155)
		128,309	159,498
Earnings/(loss) per share for profit attributable to equity holders of the Company during the year (expressed in HK cents per share)			
Basic and diluted			
– from continuing operations	13	15.66	20.87
– from discontinued operations	13	(0.05)	0.16
		15.61	21.03
Dividends	14	–	–

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	77,679	20,297
Investment properties	16	897,959	341,249
Goodwill	17	9,003	8,520
Available-for-sale financial assets	22	–	–
Other assets		–	437
		984,641	370,503
Current assets			
Inventories	19	1,234,937	1,311,836
Trade and other receivables	20	251,438	262,918
Gross amounts due from customers for contract work	21	328	875
Current tax recoverable		707	–
Restricted cash and pledged deposits	23	14,288	17,850
Cash and bank deposits	24	635,853	796,784
		2,137,551	2,390,263
Total assets		3,122,192	2,760,766
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	111,383	77,383
Reserves	26	1,470,677	800,707
		1,582,060	878,090
Minority interests		194,918	195,246
Total equity		1,776,978	1,073,336

	Note	**2008** *HK$'000*	**2007** *HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*27*	–	204,923
Deferred tax liabilities	*28*	7,069	123
Other liabilities		11,159	8,299
		18,228	213,345
Current liabilities			
Trade and other payables	*29*	449,322	267,603
Deferred revenue		194,995	833,245
Current tax payable		43,535	11,737
Borrowings	*27*	639,134	361,500
		1,326,986	1,474,085
Total liabilities		1,345,214	1,687,430
Total equity and liabilities		3,122,192	2,760,766
Net current assets		810,565	916,178
Total assets less current liabilities		1,795,206	1,286,681

BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	18(a)	65,537	74,280
Current assets			
Loans to subsidiaries	18(b)	–	1,784
Amounts due from subsidiaries	18(c)	1,363,932	761,111
Other receivables	20	462	560
Pledged deposits	23	5,601	5,000
Cash and bank deposits	24	27,388	18,883
		1,397,383	787,338
Total assets		1,462,920	861,618
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	111,383	77,383
Reserves	26	1,323,334	781,634
Total equity		1,434,717	859,017
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	18(c)	13,682	–
Other payables	29	14,521	2,601
Total liabilities		28,203	2,601
Total equity and liabilities		1,462,920	861,618
Net current assets		1,369,180	784,737
Total assets less current liabilities		1,434,717	859,017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company				
	Share capital	**Reserves**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	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/(loss) for the year	–	162,653	162,653	(3,155)	159,498
Total recognised income and expenses for the year	–	58,892	58,892	399	59,291
Issue 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)
At 31 December 2007	77,383	800,707	878,090	195,246	1,073,336
Revaluation gain of property, plant and equipment	–	1,314	1,314	–	1,314
Currency translation adjustments	–	24,459	24,459	12,227	36,686
Net income directly recognised in equity	–	25,773	25,773	12,227	38,000
Profit/(loss) for the year	–	140,864	140,864	(12,555)	128,309
Total recognised income and expenses for the year	–	166,637	166,637	(328)	166,309
Issue of new shares	34,000	503,200	537,200	–	537,200
Employee share option benefits	–	133	133	–	133
At 31 December 2008	111,383	1,470,677	1,582,060	194,918	1,776,978

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Cash (used in)/generated from operations	31(a)	(193,758)	772,197
Interest paid		(34,007)	(30,163)
Income tax (paid)/refund		(39,157)	13
Net cash (used in)/generated from operating activities		(266,922)	742,047
Investing activities			
Acquisition of a subsidiary	31(b)	11,937	(127,960)
Partial disposal of a subsidiary		–	1
Disposal of subsidiaries	31(c)	8,407	–
Purchase of property, plant and equipment		(7,894)	(4,724)
Net proceeds from disposals of available-for-sale financial assets		–	157,831
Proceeds from disposal of property, plant and equipment		30	117
Interest received		17,238	8,645
Net cash generated from investing activities		29,718	33,910
Financing activities			
Proceeds from issue of shares		–	1,369
New borrowings		261,641	310,497
Repayment of borrowings		(188,829)	(422,869)
Decrease in restricted cash and pledged deposits		3,562	19,144
Net cash generated from/(used in) financing activities		76,374	(91,859)
(Decrease)/increase in cash and cash equivalents		(160,830)	684,098
Cash and cash equivalents at beginning of the year		796,683	112,585
Cash and cash equivalents at end of the year	24	635,853	796,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ORGANISATION AND OPERATIONS

Minmetals Land Limited (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in real estate development and project management, specialised construction, property investment, 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 2009.

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 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. They 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) Amendment and interpretation effective in 2008

HK(IFRIC) Int 11, "HKFRS 2 – Group and treasury share transactions", provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any material impact on the Group's financial statements.

HKAS 39 and HKFRS 7 (Amendment) "Reclassification of Financial Assets" (effective from 1 July 2008 prospectively) permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also allows an entity to reclassify a financial asset from the available-for-sale category to loans and receivables if it would have met the definition of loans and receivables and the entity now has the intent and ability to hold that asset for the foreseeable future. This amendment does not have any impact on the Group's financial statements as the Group has not reclassified any financial assets.

(ii) New/revised standards, amendments and improvements to existing standards and interpretation relevant to the Group that are not yet effective and have not been early adopted by the Group

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

HKAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009. It is not expected to have any material impact on the Group's financial statements.

HKAS 27 (Amendment), "Consolidated and separate financial statements" (effective from 1 January 2009). The amendment removes the definition of the cost method and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply HKAS 27 (Amendment) from 1 January 2009. It is not expected to have any material impact on the Group's financial statements.

HKAS 27 (Revised), "Consolidated and separate financial statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The management has already commenced an assessment of the related impact but is not yet in a position to state whether the adoption of this revision will result in any substantial impact on the Group's financial statements.

HKFRS 2 (Amendment), "Share-based payment" (effective from 1 January 2009). The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are services conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009. It is not expected to have any material impact on the Group's financial statements.

HKFRS 3 (Revised), "Business combinations" (effective from first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than are "conducted and managed". It requires considerations (including contingent consideration) for each identifiable asset and liability to be measured at its acquisition-date at fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. It is not expected to have any material impact on the Group's financial statements.

HK(IFRIC) Int 15, "Agreements for the construction of real estates" (effective for annual periods beginning on or after 1 January 2009) clarifies which standard (HKAS 18 or HKAS 11) should be applied to particular transactions and is likely to mean that HKAS 18 will be applied to a wider range of transactions. Entities that have previously recognised revenue from residential real estate sales under HKAS 11 will be the most significantly affected and will probably be required to apply HKAS 18. The new guidance may also have a wider impact and affect the accounting in other industries because the IFRIC has stated that the interpretation may also be used by analogy in other circumstances to determine whether a transaction is accounted for as a sale of a good (HKAS 18) or a construction contract (HKAS 11). It is not expected to have any material impact on the Group's financial statements.

HKAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

HKFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to HKFRS 1, "First-time adoption") (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

(b) Consolidation

(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 consolidated income statement.

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

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

(ii) Transactions with minority interests

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

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

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

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 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, which refers to the time when the risks and rewards of the sale transaction are transferred to the buyers. Deposits and installments received on properties sold prior to completion of the respective sale agreements are included as deferred revenue under current liabilities.

(ii) Contract revenue

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

(iii) Operating lease rental income

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

(iv) Sales of goods

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

(v) Sales of securities investments

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

(vi) Dividend income

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

(vii) Interest income

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

(f) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (including leasehold land) 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 period in which they are incurred.

(h) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated 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 period in which they are incurred.

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

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

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

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

(i) Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies comprising the 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 period in which they are incurred.

Changes in fair values are recognised in the income statement.

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

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

(j) Goodwill

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

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

(k) Impairment

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

(l) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

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

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

(m) Inventories

(i) Manufacturing and trading

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

(ii) Properties under development

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

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

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

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the provision is recognised in the consolidated income statement within administrative expenses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated 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 period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within trade and other receivables.

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

(p) Cash and cash equivalents

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

(q) Share capital

Ordinary shares are classified as equity.

(r) Borrowings

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

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

(s) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(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 in the income statement. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Termination benefits

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

(u) Trade and other payables

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

(v) Provisions and contingent liabilities

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

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

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

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

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

(w) Insurance contracts

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

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

(x) Comparative figures

Certain comparative figures have been reclassified 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 risks as defined by HKFRS 7 arise 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 RMB against Hong Kong dollars. It has not hedged its foreign exchange rate risk.

At 31 December 2008, 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$13,431,000 (2007: HK$13,442,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of net RMB-denominated assets in HK subsidiaries and net HK$-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.

If interest rates on HK dollar-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, an increase/decrease of finance costs of approximately HK$2,009,000 (2007: HK$2,000,000) will be capitalised into properties under development.

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$76,000 (2007: HK$85,000) higher/lower together with an increase/decrease of capitalisation of finance costs of approximately HK$4,307,000 (2007: HK$3,506,000) into properties under development.

(b) Credit risk

The Group's credit risk primarily arises from deposits with banks, trade and other receivables and guarantees provided in respect of mortgage facilities (Note 32).

The credit risk on deposits with banks 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 provision for impairment losses are made for irrecoverable amounts.

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

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

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. Management aims to maintain flexibility in funding by keeping credit lines available. Management monitors the rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility (Note 27(a)) and cash and cash equivalents (Note 24) on the basis of expected cash flow.

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

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
	HK$'000	*HK$'000*	*HK$'000*
Group			
At 31 December 2008			
Borrowings	672,499	–	–
Trade and other payables	412,811	29,993	6,518
	1,085,310	29,993	6,518
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
Company			
At 31 December 2008			
Amounts due to subsidiaries	13,682	–	–
Other payables	14,521	–	–
	28,203	–	–
At 31 December 2007			
Other payables	2,585	–	–

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 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 restricted cash and pledged deposits and cash and bank deposits.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Total borrowings *(Note 27)*	639,134	566,423
Less: Restricted cash and pledged deposits *(Note 23)*	(14,288)	(17,850)
Cash and bank deposits *(Note 24)*	(635,853)	(796,784)
Net cash	(11,007)	(248,211)
Total equity	1,776,978	1,073,336
Gearing ratio	N/A	N/A

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 values of financial liabilities for disclosure purposes are 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

Independent valuers were engaged to carry out an independent valuation of the Group's investment property portfolio as at 31 December 2008. The fair value of each investment property is individually determined at balance sheet date based on market value assessment, on an existing use basis. The valuers have relied on the income capitalisation approach as its primary method, supported by the direct comparison method. These methodologies are based on the estimation of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(b) 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 17).

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$Nil for the year (2007: 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 incomplete project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and nature of the construction activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in Note 21 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised.

(d) Income taxes

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

(e) Employee share option benefit

The Group uses the Trinomial Option Pricing Model to determine the fair value of share options granted during the year. Under this model, the value of the share options is subject to a number of assumptions such as the risk-free rate, expected life of the options, expected dividend rate and expected volatility of the closing price of the share based on the volatility of the Company over two year period.

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 investment:	Holding of properties 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

* *Discontinued during the year.*

Revenue during the year comprised the following:

	2008	**2007**
	HK$'000	*HK$'000*
Continuing operations		
Revenue from real estate development and project management services	887,476	2,311
Revenue from specialised construction contracts	250,426	345,961
Gross rental and management fee income from investment properties	28,405	17,042
	1,166,307	365,314
Discontinued operations		
Sales of lubricant oil, industrial tools and chemical products	71,289	65,892
	1,237,596	431,206

Segment revenue and results

	Continuing operations										Discontinued operations	
	Real estate development and project management		Specialised construction		Property investment		Securities investment and trading		Total		Manufacturing and trading	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue												
Sales to external customers	887,476	2,311	250,426	345,961	28,405	17,042	–	–	1,166,307	365,314	71,289	65,892
Results												
Segment results	119,197	(14,498)	3,737	(18,118)	98,861	64,841	–	140,701	221,795	172,926	3,330	1,724
Unallocated costs									(38,901)	(21,506)	–	741
Operating profit									182,894	151,420	3,330	2,465
Finance income									17,238	8,580	–	65
Finance costs									(400)	(1,561)	(18)	(18)
Tax (charge)/credit									(70,948)	(229)	700	(1,224)
Profit after tax									128,784	158,210	4,012	1,288
Loss on disposal of subsidiaries									–	–	(4,487)	–
Profit/(loss) for the year									128,784	158,210	(475)	1,288

Segment assets and liabilities

	Real estate development and project management		Specialised construction		Property investment		Securities investment and trading		Manufacturing and trading		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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	1,674,912	2,074,515	241,272	219,521	988,244	343,522	–	–	–	26,581	2,904,428	2,664,139
Unallocated corporate assets											217,764	96,627
Total assets											3,122,192	2,760,766
Liabilities												
Segment liabilities	1,032,253	1,457,636	222,328	200,017	13,766	5,785	–	–	–	5,464	1,268,347	1,668,902
Unallocated corporate liabilities											76,867	18,528
Total liabilities											1,345,214	1,687,430

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

Other segment information

	Continuing operations												Discontinued operations	
	Real estate development and project management		Specialised construction		Property investment		Securities investment and trading		Unallocated		Total		Manufacturing and trading	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	1,395	2,907	646	1,368	65,833	257	–	–	19	175	67,893	4,707	346	477
Depreciation recognised in the consolidated income statement	859	308	556	398	930	66	–	–	431	1,061	2,776	1,833	550	713
Revaluation gain on investment properties	–	–	–	–	72,877	50,480	–	–	–	–	72,877	50,480	–	–
(Reversal of impairment loss)/impairment loss recognised in the consolidated income statement	–	–	(1,643)	17,929	52	–	–	–	–	(806)	(1,591)	17,123	–	1

(b) Secondary reporting format – geographical segments

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

Hong Kong and Macau:	Specialised construction, property investment, 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	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations:								
External sales	60,812	55,458	1,105,495	309,856	–	–	1,166,307	365,314
Segment assets	999,860	365,687	1,904,568	2,271,871	–	–	2,904,428	2,637,558
Capital expenditure	65,847	358	2,046	4,349	–	–	67,893	4,707
Discontinued operations:								
External sales	6,767	4,663	64,286	60,955	236	274	71,289	65,892
Segment assets	–	17,996	–	8,585	–	–	–	26,581
Capital expenditure	44	163	302	314	–	–	346	477

6 OTHER GAINS

	2008	2007
	HK$'000	*HK$'000*
Gain on disposal of available-for-sale financial assets	–	140,911
Others	2,766	1,310
	2,766	142,221

7 EXPENSES BY NATURE

	2008	2007
	HK$'000	*HK$'000*
Amortisation of land lease premium	10,860	6,999
Less: amount capitalised into properties under development	(10,706)	(6,999)
	154	–
Depreciation	2,622	1,833
Operating lease charges – minimum lease payment in respect of land and buildings	6,035	4,556
Cost of inventories sold	705,704	–
Auditor's remuneration	1,749	2,511
Net foreign exchange gain	(15,346)	(26,297)
Employee benefit expense (including directors' emoluments) *(Note 8)*	39,995	38,682
Provision for inventory obsolescence	–	1,033
Provision for impairment of receivables	52	4,064
Recovery of receivables previously written-off	(1,643)	(546)
Provision for impairment of property, plant and equipment	–	18
Direct out-goings arising from investment properties that generated rental income	3,272	2,662
Specialised construction costs	236,207	328,762
Selling and distribution costs	40,462	10,677
Legal and professional fees	13,304	6,182
Project management costs	320	1,415
Loss on disposal of property, plant and equipment	99	–
Others	26,070	18,489
Total of cost of sales, selling and distribution costs and administrative expenses	1,059,056	394,041

8 EMPLOYEE BENEFIT EXPENSE

	2008 HK$'000	2007 HK$'000
Wages and salaries	39,145	37,940
Provision for unutilised annual leave	85	87
Provision for long service payment	193	122
Pension costs – defined contribution plans *(Note 30)*	439	533
Share option benefits	133	–
	39,995	38,682

(a) Directors' emoluments

The remuneration of each director of the Company ("Director", collectively "Directors") for the year ended 31 December 2008 is set out below:

Name of Director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Employer's contributions to pension scheme HK$'000	Share option benefits HK$'000	Total HK$'000
For the year ended 31 December 2008						
Mr. Zhou Zhongshu	–	–	–	–	13	13
Mr. Qian Wenchao	–	–	150	–	13	163
Mr. He Jianbo *(note (i))*	–	2,002	520	–	17	2,539
Mr. Yin Liang	–	1,240	320	–	12	1,572
Mr. Yan Xichuan	–	1,300	100	60	12	1,472
Ms. He Xiaoli	–	1,240	220	–	10	1,470
Mr. Lam Chun, Daniel	300	–	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	–	310
Ms. Tam Wai Chu, Maria	300	–	–	–	–	300
	910	5,782	1,310	60	77	8,139

The remuneration of each Director for the year ended 31 December 2007 is set out below:

Name of Director	**Fees**	**Salaries, allowances and benefits in kind**	**Discre-tionary bonus**	**Employer's contributions to pension scheme**	**Share option benefits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2007						
Mr. Zhou Zhongshu	–	–	–	–	–	–
Mr. Qian Wenchao	–	–	–	–	–	–
Mr. He Jianbo *(note (i))*	–	–	–	–	–	–
Mr. Wang Xingdong *(note (ii))*	–	1,430	–	–	–	1,430
Mr. Yin Liang	–	1,040	–	–	–	1,040
Mr. Yan Xichuan	–	1,300	–	60	–	1,360
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

During the year, no Directors waived or agreed to waive any emoluments (2007: Nil).

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 (2007: Nil).

Notes:

(i) Appointed on 7 December 2007

(ii) Resigned on 7 December 2007

(b) Five highest-paid individuals

In 2008, five highest-paid individuals in the Group include three (2007: three) directors of the Company. These Directors' emoluments are disclosed in (a) above. Details of the emoluments of the remaining two (2007: two) individuals are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	2,861	3,661
Bonuses	423	1,482
Employer's contributions to pension schemes	279	234
Share option benefits	11	–
	3,574	5,377

The emoluments fell within the following bands:

	2008	**2007**
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	–	1
HK$2,000,001 – HK$3,000,000	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 (2007: Nil).

9 FINANCE INCOME AND COSTS

	2008	**2007**
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	17,238	8,580
Finance costs		
Bank borrowings		
Wholly repayable within five years	11,571	9,655
Other loans		
Wholly repayable within five years	22,418	20,490
	33,989	30,145
Less: amount capitalised into properties under development *(a)*	(33,589)	(28,584)
	400	1,561

(a) Borrowing costs were capitalised at rates ranging from 3.19% to 7.56% (2007: 4.21% to 8.96%).

10 TAX CHARGE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Enterprise income tax has been calculated on the estimated assessable profit for the year derived in the PRC at the rates of 18% to 25% (2007: 15%).

Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	2008	**2007**
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Profits tax	111	153
Current tax – PRC		
Enterprise income tax	23,971	–
Land appreciation tax	46,866	–
	70,837	–
Deferred tax		
Recognition of temporary differences *(Note 28)*	–	76
Tax charge	70,948	229

The tax charge 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:

	2008	**2007**
	HK$'000	*HK$'000*
Profit before tax	199,732	158,439
Tax calculated at domestic tax rates applicable to profits in the respective countries	31,752	27,967
Income not subject to tax	(15,936)	(37,431)
Expenses not deductible for tax purposes	14,949	3,922
Utilisation of previously unrecognised tax losses	(14,549)	(1,683)
Land appreciation tax	46,866	–
Unrecognised tax losses	7,866	7,454
Tax charge	70,948	229

The weighted average applicable tax rate was 15.9% (2007: 17.6%). The year-on-year change is primarily caused by a change in the relative profitability of the Group's subsidiaries in the respective countries and the decrease in Hong Kong tax rate.

11 DISCONTINUED OPERATIONS

On 31 December 2008, the Group completed the disposal of 100% equity interest in Jaeger Oil and Chemical Holdings Limited and its subsidiaries for a cash consideration of HK$12,056,000.

An analysis of the results and cash flows of the discontinued operations is as follows:

	2008 *HK$'000*	**2007** *HK$'000*
Results		
Revenue	71,289	65,892
Expenses	(67,977)	(63,380)
Profit before tax from discontinued operations	3,312	2,512
Tax credit/(charge)	700	(1,224)
Profit after tax	4,012	1,288
Loss on disposal of subsidiaries	(4,487)	–
(Loss)/profit for the year from discontinued operations	(475)	1,288

	2008 *HK$'000*	**2007** *HK$'000*
Cash flows		
Operating cash flows	4,331	5,476
Investing cash flows	(324)	(351)
Financing cash flows	(5,580)	(2,839)
Total cash flows	(1,573)	2,286

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company includes a profit of approximately HK$38,367,000 (2007: HK$99,062,000) has been dealt with in the financial statements of the Company.

13 EARNINGS/(LOSS) PER SHARE – BASIC AND DILUTED

The calculation of basic and diluted earnings/(loss) per share is based on the Group's profit/(loss) attributable to equity holders divided by the weighted average number of ordinary shares in issue during the year.

The basic and diluted earnings/(loss) per share are the same since there are no potential dilutive shares for the year (2007: Nil). The Company's outstanding share options did not have a dilutive effect on the earnings/(loss) per share.

	2008	**2007**
Weighted average number of ordinary shares in issue *(thousands)*	902,380	773,340
Profit from continuing operations attributable to equity holders *(HK$'000)*	141,339	161,365
Earnings per share from continuing operations *(HK cents)*	15.66	20.87
(Loss)/profit from discontinued operations attributable to equity holders *(HK$'000)*	(475)	1,288
(Loss)/earnings per share from discontinued operations *(HK cents)*	(0.05)	0.16

14 DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: Nil).

15 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are as follows:

	Leasehold land and buildings *(Note a)* *HK$'000*	Leasehold improve-ments *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Year ended 31 December 2008						
Opening net book amount	11,578	562	2,204	3,782	2,171	20,297
Exchange differences	–	–	38	58	15	111
Additions	–	5,265	193	1,477	959	7,894
Acquisition of a subsidiary	60,345	–	–	–	–	60,345
Revaluation gain	1,314	–	–	–	–	1,314
Reclassification to investment properties	(7,700)	–	–	–	–	(7,700)
Reclassification	(89)	546	262	(1,586)	867	–
Disposals	–	–	(8)	(45)	(76)	(129)
Depreciation	(487)	(646)	(391)	(903)	(899)	(3,326)
Disposal of subsidiaries	–	(378)	(280)	(320)	(149)	(1,127)
Closing net book amount	64,961	5,349	2,018	2,463	2,888	77,679
At 31 December 2008						
Cost	65,591	6,266	6,731	8,168	6,603	93,359
Accumulated depreciation and impairment	(630)	(917)	(4,713)	(5,705)	(3,715)	(15,680)
Net book amount	64,961	5,349	2,018	2,463	2,888	77,679

	Leasehold land and buildings *(Note a)* *HK$'000*	Leasehold improve-ments *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'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
Disposals	–	–	–	(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

		2008 *HK$'000*	**2007** *HK$'000*
(a)	Leasehold land	54,552	9,534
	Buildings	10,409	2,044
		64,961	11,578

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

	2008 *HK$'000*	**2007** *HK$'000*
In Hong Kong, held on:		
Long-term leases (over 50 years)	60,162	6,554
In the PRC, held on:		
Long-term leases (over 50 years)	4,799	5,024
	64,961	11,578

16 INVESTMENT PROPERTIES

	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	341,249	290,769
Acquisition of a subsidiary	476,133	–
Reclassification from property, plant and equipment	7,700	–
Revaluation gain	72,877	50,480
At end of the year	897,959	341,249

The investment properties were revalued at 31 December 2008 by Vigers Appraisal & Consulting Limited, independent valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties at their carrying amounts are analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Long-term leases (over 50 years)	897,959	341,249

Investment properties with carrying amounts of approximately HK$343,959,000 (2007: HK$341,249,000) have been pledged as securities for bank borrowings (Note 27(a)).

17 GOODWILL

(a) Goodwill arising from acquisitions of subsidiaries are as follows:

	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	8,520	20,095
Exchange differences	483	979
Impairment	–	(12,554)
At end of the year	9,003	8,520

(b) Impairment test for goodwill

Goodwill is allocated to the cash-generating units ("CGU") identified as follows:

	2008	2007
	HK$'000	*HK$'000*
CGU:		
Specialised construction	9,003	8,520

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 one-year period and extrapolated for the remaining operating period based on the following information with reference to past performance and expectation for market development.

	2008	**2007**
Estimated growth rate	5.00%	–10.00%
Discount rate	5.31%	7.47%

The estimated growth rates disclosed above applied to the five-year cash flow projections and no growth was assumed when extrapolating to later periods. The estimated growth rate of 5% used represents the general growth and inflation in the market. A negative growth rate of 10% was used for year ended 31 December 2007 since both the number and amounts of contracts on hand were lower than in prior years.

18 SUBSIDIARIES

(a) Investments in subsidiaries

	2008	**2007**
	HK$'000	*HK$'000*
Unlisted share investments, at cost	695,296	695,296
Less: provision for impairment	(629,759)	(621,016)
	65,537	74,280

(b) Loans to subsidiaries

	2008	**2007**
	HK$'000	*HK$'000*
Loans to subsidiaries	47,800	49,584
Less: provision for impairment	(47,800)	(47,800)
	–	1,784

Loans to subsidiaries of approximately HK$47,800,000 (2007: HK$47,800,000) are non-interest bearing. The remaining balances bore interest at commercial lending rates. All balances are unsecured and repayable on demand.

(c) Amounts due from/to subsidiaries

	2008	**2007**
	HK$'000	*HK$'000*
Amounts due from subsidiaries	1,618,034	1,080,342
Less: provision for impairment	(254,102)	(319,231)
	1,363,932	761,111
Amounts due to subsidiaries	13,682	–

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

(d) List of principal subsidiaries as at 31 December 2008:

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital/registered and paid up capital *(note (i))*	Percentage of equity interest: Directly held by the Company	Percentage of equity interest: Indirectly held by the Company	Principal activity
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
龍建(南京)置業有限公司 (Dragon Construction (Nanjing) Properties Co., Ltd.) *(note (ii))*	PRC	US$6,600,000	–	71	Property development
Eastrend (Hong Kong) Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
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
Linkcheer Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Minmetals Land (China) Limited	Hong Kong/ Hong Kong and PRC	2 shares of HK$1 each	–	100	Provision of management service
Minmetals Land Investments Limited	British Virgin Islands/ Hong Kong	100 shares of US$10 each	100	–	Investment holding
ONFEM Finance Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	100	–	Provision of financing for group companies
Oriental Dragon Construction Limited	Hong Kong/ Hong Kong and PRC	10,000 shares of HK$1 each	–	71	Investment holding

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital/registered and paid up capital *(note (i))*	Percentage of equity interest: Directly held by the Company	Percentage of equity interest: Indirectly held by the Company	Principal activity
Shanghai Jin Qiao Condo Decoration Engineering Co., Ltd. *(note (iii))*	PRC	US$2,040,000	–	100	Design and installation of curtain walls and aluminium windows
Texion Development Limited	Hong Kong	50,000,000 shares of HK$1 each	–	100	Property investment
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 (iv))*	PRC	RMB44,000,000	–	100	Property development
五礦建設(湖南)嘉和日盛房地產開發有限公司 *(note (v))*	PRC	RMB380,000,000	–	51	Property development

Notes:

(i) The class of shares held is ordinary unless otherwise stated. None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2008.

(ii) 龍建(南京)置業有限公司(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.

(iii) 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 30 years up to 2023.

(iv) 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.

(v) 五礦建設(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.

19 INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	1,480	6,384
Finished goods	–	4,253
	1,480	10,637
Less: provision for inventory obsolescence	–	(3,671)
Manufacturing and trading stocks, net	1,480	6,966
Properties held for sale – located in the PRC	15,934	–
Properties under development – located in the PRC *(a)*	1,217,523	1,304,870
	1,233,457	1,304,870
Total	1,234,937	1,311,836

(a) Properties under development

	2008	2007
	HK$'000	*HK$'000*
Land use rights	731,673	835,083
Construction in progress	485,850	469,787
	1,217,523	1,304,870

Properties under development with carrying amounts of approximately HK$428,665,000 (2007: HK$476,132,000) have been pledged as securities for bank borrowings (Note 27(a)).

20 TRADE AND OTHER RECEIVABLES

The Group

	2008	2007
	HK$'000	*HK$'000*
Trade and contract receivables, net *(a)*	169,812	149,057
Retention receivables *(Note 21)*	46,454	35,943
Deposits	7,479	7,713
Prepayments *(b)*	22,726	61,727
Others	4,967	8,478
	251,438	262,918

The Company

	2008	2007
	HK$'000	*HK$'000*
Deposits	143	92
Prepayments	254	421
Others	65	47
	462	560

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

The Group

	2008	2007
	HK$'000	*HK$'000*
Hong Kong dollar	19,984	27,045
RMB	231,454	235,873
	251,438	262,918

The Company

	2008	2007
	HK$'000	*HK$'000*
Hong Kong dollar	462	560

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

The Group

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	39,899	62,949
31 to 60 days	31,811	37,634
61 to 90 days	25,525	15,277
Over 90 days	73,773	43,835
	171,008	159,695
Less: provision for impairment	(1,196)	(10,638)
	169,812	149,057

No credit period is granted by the Group to the customers for contract receivables. For the year ended 31 December 2007, credit period of 30 days to 60 days from the date of invoice was granted to customers for trade receivables.

The credit quality of the receivables that are neither past due nor impaired can be assessed by the good repayment history and no default in the past.

Trade and contract receivables that are less than six months and one year past due respectively are generally not considered impaired. Trade and contract receivables of HK$169,812,000 (2007: HK$136,311,000) 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 and contract receivables is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Past due days		
0 to 90 days	97,235	103,313
Over 90 days	72,577	32,998
	169,812	136,311

Trade and contract receivables of HK$1,196,000 (2007: HK$10,638,000) were impaired and provision for impairment was made. The individually impaired receivables mainly relate to construction customers, which are in unexpected difficult financial situations. The aging of these receivables is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Past due days		
Over six months	1,196	10,638

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

	2008	**2007**
	HK$'000	*HK$'000*
At beginning of the year	10,638	17,809
Exchange differences	382	311
Disposal of subsidiaries	(170)	–
Provision for impairment	52	4,226
Receivables written off during the year as uncollectible	(9,706)	(11,708)
At end of the year	1,196	10,638

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

(b) Prepayments include prepaid taxes and other charges of approximately HK$16,265,000 (2007: HK$55,869,000) 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 dates is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

21 CONSTRUCTION CONTRACTS IN PROGRESS

	2008 *HK$'000*	2007 *HK$'000*
Contract costs incurred plus recognised profits less recognised losses	582,217	312,796
Less: progress billings	(581,889)	(311,921)
Gross amounts due from customers for contract work	328	875

Retentions held by customers for contract work included in trade and other receivables of the Group under Note 20 amounted to approximately HK$46,454,000 (2007: HK$35,943,000).

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 *HK$'000*	2007 *HK$'000*
At beginning of the year	–	136,080
Disposals	–	(136,080)
At end of the year	–	–

Available-for-sale financial assets include the following:

	2008 *HK$'000*	2007 *HK$'000*
Unlisted securities, at cost	243,600	243,600
Less: provision for impairment	(243,600)	(243,600)
Total	–	–

23 RESTRICTED CASH AND PLEDGED DEPOSITS

The Group

	2008 *HK$'000*	2007 *HK$'000*
Restricted cash	8,687	–
Pledged deposits	5,601	17,850
	14,288	17,850

As at 31 December 2008, the effective interest rate was 3.19% (2007: 2.46%).

The Company

	2008	2007
	HK$'000	*HK$'000*
Pledged deposits	5,601	5,000

As at 31 December 2008, the effective interest rate was 1.7% (2007: 3.0%).

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

The Group

	2008	2007
	HK$'000	*HK$'000*
Hong Kong dollar	5,601	5,000
RMB	8,687	12,850
	14,288	17,850
Maximum exposure to credit risk	14,288	17,850

The Company

	2008	2007
	HK$'000	*HK$'000*
Hong Kong dollar	5,601	5,000
Maximum exposure to credit risk	5,601	5,000

The restricted cash represents performance deposits placed in banks. Pledged deposits represent deposits pledged to banks to secure banking facilities granted to the Group (Note 27(a)).

24 CASH AND CASH EQUIVALENTS

The Group

	2008	2007
	HK$'000	*HK$'000*
Cash at banks	287,074	400,452
Short-term deposits	348,657	396,221
Cash on hand	122	111
Cash and bank deposits *(a)*	635,853	796,784
Bank overdrafts *(Note 27)*	–	(101)
	635,853	796,683
Maximum exposure to credit risk	635,731	796,673

Short-term deposits mature approximately in 16 days (2007: 86 days) from the balance sheet date. As at 31 December 2008, the effective interest rate was 1.90% (2007: 2.90%) per annum.

The Company

	2008	**2007**
	HK$'000	*HK$'000*
Cash at banks	14,756	1,206
Short-term deposits	12,615	17,657
Cash on hand	17	20
Cash and bank deposits *(a)*	27,388	18,883
Maximum exposure to credit risk	27,371	18,863

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

The Group

	2008	**2007**
	HK$'000	*HK$'000*
Hong Kong dollar	56,001	37,010
RMB	575,959	759,544
US dollar	3,873	198
Other currencies	20	32
	635,853	796,784

The Company

	2008	**2007**
	HK$'000	*HK$'000*
Hong Kong dollar	27,229	18,680
US dollar	139	171
Other currencies	20	32
	27,388	18,883

25 SHARE CAPITAL

	2008		2007	
	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	1,113,832	111,383	773,832	77,383

During the year, the Company allotted and issued 340,000,000 ordinary shares of HK$0.1 each at HK$1.58 per share as consideration for the acquisition of a subsidiary (Note 31(b)) (2007: 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).

(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.

(i) All share options granted under the share option scheme prior to 1 January 2008 have expired as at 31 December 2007.

On 1 December 2008, 7,850,000 and 5,780,000 share options were granted to directors and certain eligible employees respectively at an exercise price of HK$0.51, which represents the closing price of the Company's shares on the Stock Exchange of Hong Kong Limited on the date of grant. Details of the share options granted are as follows:

Category of participants	**Exercise period of share options**	**Exercise price** *HK$*	**2008 Number of share options** *('000)*	**2007 Number of share options** *('000)*
Directors	1 December 2010 to 30 November 2018	0.51	7,850	–
Employees	1 December 2010 to 30 November 2018	0.51	5,780	–
			13,630	–

The options are exercisable upon fulfillment of certain performance targets achieved by the Group and grantees. These options are exercisable in three tranches: the maximum percentage of options exercisable within the periods commencing from 1 December 2010 to 30 November 2018, from 1 December 2011 to 30 November 2018 and from 1 December 2012 to 30 November 2018 are 30%, 30% and 40% respectively.

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

	2008 Number of share options *('000)*	2007 Number of share options *('000)*
At beginning of the year	–	14,800
Granted	13,630	–
Exercised	–	(1,650)
Lapsed	–	(13,150)
At end of the year	13,630	–

(iii) The fair value of the share options granted during the year is estimated at approximately HK$0.34 each using the Trinomial Option Pricing Model. Values are appraised based on the risk-free rate of 1.75% per annum with reference to the average yield of the Exchange Fund Notes of comparable terms, an approximate two-year historical volatility of 82.3%, assuming no dividend and an expected option life of five years.

26 RESERVES

(a) Group

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Employee share-based compensation reserve *HK$'000*	Available-for-sale financial assets revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Revaluation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance as at 1 January 2007	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
Issue of new shares	503,200	–	–	–	–	–	–	–	503,200
Employee share option benefits	–	–	–	133	–	–	–	–	133
Revaluation gain of property, plant and equipment	–	–	–	–	–	–	1,314	–	1,314
Currency translation adjustments	–	–	–	–	–	24,459	–	–	24,459
Profit for the year	–	–	–	–	–	–	–	140,864	140,864
Balance as at 31 December 2008	914,142	600,412	769	133	–	48,172	1,314	(94,265)	1,470,677

(b) Company

	Share premium	Contributed surplus	Capital redemption reserve	Employee share-based compensation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2007	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
Issue of new shares	503,200	–	–	–	–	503,200
Employee share option benefits	–	–	–	133	–	133
Profit for the year	–	–	–	–	38,367	38,367
Balance at 31 December 2008	914,142	575,220	769	133	(166,930)	1,323,334

(c) Contributed surplus mainly represents the excess of the fair value of shares in Minmetals Land 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) As at 31 December 2008, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$409,059,000 (2007: HK$370,692,000).

27 BORROWINGS

	2008 *HK$'000*	2007 *HK$'000*
Non-current		
Loan from a minority investor, unsecured *(Note 34)*	–	204,923
Current		
Bank overdrafts, secured	–	101
Bank loans, secured	259,222	273,798
Bank borrowings, secured *(a)*	259,222	273,899
Loan from a fellow subsidiary, secured *(Note 34)*	169,711	87,601
Loan from a minority investor, unsecured *(Note 34)*	210,201	–
	639,134	361,500
Total borrowings	639,134	566,423

(a) Banking facilities

The Group's aggregate banking facilities, including bank borrowings, as at 31 December 2008 amounted to approximately HK$361,517,000 (2007: HK$330,456,000), of which approximately HK$81,396,000 (2007: HK$37,414,000) was unutilised. As at 31 December 2008, the assets pledged by the Group as securities for the banking facilities are as follows:

(i) fixed deposits of the Group of approximately HK$5,601,000 (2007: HK$17,850,000), including that of the Company of approximately HK$5,601,000 (2007: HK$5,000,000);

(ii) Investment properties with carrying amounts of approximately HK$343,959,000 (2007: HK$341,249,000);

(iii) properties under development with carrying amounts of approximately HK$428,665,000 (2007: HK$476,132,000); and

(iv) corporate guarantees given by the Company.

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

	2008 *HK$'000*	2007 *HK$'000*
Bank borrowings		
Within one year	259,222	273,899
Loan from a fellow subsidiary		
Within one year	169,711	87,601
Loan from a minority investor		
Within one year	210,201	–
In the second year	–	204,923
	210,201	204,923

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

	2008		2007	
	HK$	RMB	HK$	RMB
Non-current				
Loan from a minority investor	–	–	–	7.56%
Current				
Bank overdrafts	–	–	6.75%	–
Bank loans	3.19%	5.67%	4.21%	8.79%
Loan from a fellow subsidiary	–	5.67%	–	6.92%
Loan from a minority investor	–	5.40%	–	–

The fair values of borrowings approximate their carrying amounts. The fair values are based on cash flows discounted using the weighted average borrowing rate as at 31 December 2008 of 4.78% (2007: 6.42%) per annum.

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

	2008	2007
	HK$'000	*HK$'000*
Hong Kong dollar	200,857	201,255
RMB	438,277	365,168
	639,134	566,423

28 DEFERRED TAX

	2008	2007
	HK$'000	*HK$'000*
Deferred tax assets	–	–
Deferred tax liabilities	(7,069)	(123)
	(7,069)	(123)

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

	2008	2007
	HK$'000	*HK$'000*
Tax losses		
At beginning of the year	–	932
Recognised in the consolidated income statement	–	(932)
At end of the year	–	–

Deferred tax liabilities

	2008	2007
	HK$'000	*HK$'000*
Fair value gain		
At beginning of the year	123	–
Recognised in the consolidated income statement	–	123
At end of the year	123	123
Accelerated differences		
At beginning of the year	–	–
Acquisition of a subsidiary	6,946	–
At end of the year	6,946	–

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. At 31 December 2008, the Group had unrecognised tax losses in Hong Kong of approximately HK$143,648,000 (2007: HK$136,193,000) 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$30,505,000 (2007: HK$90,450,000). These tax losses will expire by 2012.

29 TRADE AND OTHER PAYABLES

The Group

	2008	2007
	HK$'000	*HK$'000*
Trade, bills and contract payables *(a)*	134,333	151,531
Retention payables	39,810	29,998
Accruals and other payables	258,968	55,135
Rental deposits received	5,081	1,571
Amount due to a minority investor *(Note 34)*	11,130	7,422
Amount due to a fellow subsidiary *(Note 34)*	–	21,946
	449,322	267,603

The Company

	2008	2007
	HK$'000	*HK$'000*
Accruals and other payables	14,521	2,585
Provisions *(b)*	–	16
	14,521	2,601

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

The Group

	2008	**2007**
	HK$'000	*HK$'000*
Hong Kong dollar	49,050	34,787
RMB	389,142	224,596
US dollar	11,130	7,422
Other currencies	–	798
	449,322	267,603

The Company

	2008	**2007**
	HK$'000	*HK$'000*
Hong Kong dollar	14,521	2,585

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

	2008	**2007**
	HK$'000	*HK$'000*
0 to 30 days	29,222	47,493
31 to 60 days	18,116	32,234
61 to 90 days	21,280	17,871
Over 90 days	65,715	53,933
	134,333	151,531

(b) *Provisions*

The Company

	2008	**2007**
	HK$'000	*HK$'000*
At beginning of the year	16	7,351
Unused amounts reversed	(16)	(7,335)
At end of the year	–	16

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

30 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 have 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 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 MPF scheme are expensed as incurred. Contributions to the 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$217,000 (2007: HK$26,000) were utilised during the year and there were no unutilised forfeited contributions available as at 31 December 2008 (2007: 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.

31 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2008	**2007**
	HK$'000	*HK$'000*
Profit before tax		
– continuing operations	199,732	158,439
– discontinued operations	3,312	2,512
Interest income	(17,238)	(8,645)
Interest expense	418	1,579
Depreciation	3,326	2,546
Revaluation gain on investment properties	(72,877)	(50,480)
Provision for impairment of goodwill	–	12,554
Provision for impairment of property, plant and equipment	–	18
Loss on disposals of property, plant and equipment	99	–
Share option benefits	133	–
Provision for inventory obsolescence	–	1,150
Provision for impairment of receivables	52	4,226
Gain on disposal of available-for-sale financial assets	–	(140,911)
Operating profit/(loss) before working capital changes	116,957	(17,012)
Decrease/(increase) in other assets	437	(240)
Decrease/(increase) in inventories	103,350	(215,952)
Decrease in trade and other receivables	1,761	53,665
Decrease/(increase) in gross amounts due from customers for contract work	547	(258)
Increase in trade and other payables	181,781	98,953
(Decrease)/increase in deferred revenue	(638,250)	833,245
Increase in other liabilities	2,860	2,073
Exchange adjustments	36,799	17,723
Cash (used in)/generated from operations	(193,758)	772,197

(b) Acquisition of subsidiaries

On 15 August 2008, the Group acquired 100% of the share capital of Texion Development Limited ("Texion") which is principally engaged in property investment in Hong Kong. The acquisition was considered as an acquisition of a group of assets and liabilities, and was outside the scope of HKFRS 3 "Business Combinations". The acquisition was settled by allotment of the Company's shares, hence it was considered as a significant non-cash transaction during the year (Note 25).

On 20 July 2007, the Group acquired 51% of the share capital of 五礦建設(湖南)嘉和日盛房地產開發有限公司 ("嘉和日盛"). 嘉和日盛 is principally engaged in property development and it contributed revenue of HK$nil and net loss of HK$1,354,000 to the Group for the period from 20 July 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the Group's revenue would have been increased by HK$nil and profit for the year would have been decreased by HK$3,440,000. These amounts have been calculated using the accounting policies of the Group.

The assets and liabilities as of the respective acquisition dates are as follows:

	Texion **As at 15 August 2008** *HK$'000*	**嘉和日盛** **As at 20 July 2007** *HK$'000*
Net assets acquired		
Property, plant and equipment	60,345	460
Investment properties	476,133	–
Inventories	–	579,843
Current tax recoverable	707	–
Trade and other receivables	857	153,580
Cash and bank deposits	11,937	73,840
Trade and other payables	(5,833)	(327)
Short-term borrowings	–	(410,748)
Deferred tax liabilities	(6,946)	–
Minority interests	–	(194,848)
	537,200	201,800
Satisfied by cash	–	201,800
Satisfied by allotment of shares	537,200	–
Total consideration	537,200	201,800

The fair values of all assets and liabilities acquired as of the respective acquisition dates, 15 August 2008 and 20 July 2007, approximate their carrying amounts.

Analysis of the net cash inflow/(outflow) in respect of the acquisition of subsidiaries:

	Texion **2008** *HK$'000*	**嘉和日盛** **2007** *HK$'000*
Cash and bank deposits acquired	11,937	73,840
Less: cash consideration	–	(201,800)
Net cash inflow/(outflow) in respect of the acquisition of subsidiaries	11,937	(127,960)

(c) Disposal of subsidiaries

The assets and liabilities disposed during the year are as follows:

	Carrying amounts
	HK$'000
Property, plant and equipment	1,127
Inventories	7,138
Trade and other receivables	10,524
Cash and bank deposits	3,649
Trade and other payables	(5,895)
Net assets disposed	16,543
Loss on disposal of subsidiaries	(4,487)
Proceeds on disposal	12,056
Net inflow of cash and cash equivalents on disposal:	
Proceeds received in cash	12,056
Cash and cash equivalents in subsidiaries disposed	(3,649)
	8,407

32 FINANCIAL GUARANTEES

At 31 December 2008, the Company had executed corporate guarantees amounting to approximately HK$310,291,000 (2007: HK$253,867,000), to various banks in respect of banking facilities extended to subsidiaries. At 31 December 2008, the utilised facilities, under which corporate guarantees from the Company were given, amounted to approximately HK$228,895,000 (2007: HK$216,453,000).

At 31 December 2008, 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$422,249,000 (2007: HK$346,887,000).

33 COMMITMENTS

(a) The Group had capital commitments as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Contracted but not provided for		
Property development	289,816	338,338
Capital contribution in a new property development company *(note 35)*	514,101	–
Others	187	–
	804,104	338,338

As at 31 December 2008, the Company did not have any outstanding capital commitments (2007: Nil).

(b) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	2008	2007
	HK$'000	*HK$'000*
Not later than one year	4,010	4,539
Later than one year but not later than five years	199	5,279
After five years	–	1,278
	4,209	11,096

As at 31 December 2008, the Company did not have any operating lease commitments (2007: Nil).

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

The Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2008	2007
	HK$'000	*HK$'000*
Not later than one year	35,897	17,663
Later than one year but not later than five years	19,410	15,701
	55,307	33,364

As at 31 December 2008, the Company did not have any future lease receipts (2007: Nil).

34 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.

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

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

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

	2008 *HK$'000*	**2007** *HK$'000*
Construction project management service revenue from a fellow subsidiary *(note (i))*	563	2,467
Specialised construction revenue from related companies *(note (ii))*	78,036	152,886
Construction costs to a fellow subsidiary for real estate development projects *(note (iii))*	114,450	22,540
Construction costs to related companies for real estate development projects *(note (ii))*	82,554	66,846
Rental income from fellow subsidiaries *(note (iv))*	2,407	–
Rental expenses and license fees to fellow subsidiaries *(note (iv))*	1,392	1,536
Loan interest costs to a minority investor *(note (v))*	15,316	13,504
Loan interest costs to a fellow subsidiary *(note (vi))*	6,480	5,832
Interest costs to a fellow subsidiary *(note (vii))*	621	559
Loan interest costs to state-owned banks *(note (ii))*	11,172	8,669
Bank interest income from state-owned banks *(Note (ii))*	17,022	5,872
Payment to local governments in the PRC for settlement of land costs *(note (ii))*	–	517,271

(b) Balances with related parties

	2008 *HK$'000*	**2007** *HK$'000*
Contract receivable from a fellow subsidiary for construction project management services *(note (i))*	–	4,447
Contract and other receivables from related companies for specialised construction contracts *(note (ii))*	71,009	48,305
Contract payable to a fellow subsidiary for real estate development projects *(note (iii))*	21,469	8,800
Contract payable to a related company for real estate development projects *(note (ii))*	59,958	3,383
Loan from a minority investor *(note (v))*	210,201	204,923
Short-term loans from a fellow subsidiary *(note (vi))*	169,711	87,601
Amount due to a fellow subsidiary *(note (vii))*	–	21,946
Amount due to a minority investor *(note (viii))*	11,130	7,422
Bank borrowings from state-owned banks *(note (ii))*	251,658	265,353
Bank deposits in state-owned banks *(note (ii))*	638,471	752,661

(c) Key management compensation

	2008 *HK$'000*	**2007** *HK$'000*
Salaries and short-term employee benefits	8,002	5,720
Pension costs – defined contribution plans	60	60
Share option benefits	77	–
	8,139	5,780

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 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 contracts dated 31 July 2007 and 30 September 2008 entered into between subsidiaries and a fellow subsidiary of the Company have been published in the Company's announcements dated 31 July 2007 and 30 September 2008. The transactions constituted connected transactions as defined in the Listing Rules.

(iv) Rental income, rental expenses and license fees received from/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, an indirect subsidiary of China Minmetals, bears interest at the floating rate for Renminbi 1-3 years term loans as quoted by The People's Bank of China per annum from time to time, and is repayable on 12 November 2009. The transactions constituted connected transactions as defined in the Listing Rules.

(vi) The short-term loan from a fellow subsidiary made on 14 October 2008, for working capital purposes to a subsidiary of the Company for a term of 1 year bearing interest at the rate of 7.2765% per annum, are secured by corporate guarantee from Minmetals HK. 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, were secured by corporate guarantees from Minmetals HK and 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 as quoted by The People's Bank of China per annum from time to time, is unsecured and repaid during the year. The transactions constituted connected transaction as defined in the Listing Rules.

(viii) The amount due to a minority investor of a subsidiary of the Company, is unsecured and repayable on demand.

35 EVENT AFTER BALANCE SHEET DATE

Subsequent to 31 December 2008, the Group has injected RMB455,400,000 (approximately HK$514,101,000) to 五礦地產南京有限公司 ("五礦地產南京"), for the acquisition of 50.89% equity interests in五礦地產南京. The transaction is expected to be completed by end of April 2009, upon the issue of the relevant legal documents. Details of the transaction were set out in the circular of the Company dated 14 November 2008.

INTRODUCTION

On 21 April 2009, the Group has acquired an effective equity interest of 50.89% in 五礦地產南京有限公司 (Minmetals Property Development Nanjing Co., Ltd.) (the "PRC JV"), which is principally engaged in real estate development in the PRC.

As the acquisition of the PRC JV was completed on 21 April 2009, the assets and liabilities of the PRC JV were therefore not incorporated into the Group's consolidated balance sheet as at 31 December 2008. Operating results of the PRC JV will be taken up by the Group after 21 April 2009.

For the purpose of the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this supplemental circular, no adjustment has been made to reflect the acquisition of the PRC JV by the Group.

A. Financial information of the PRC JV

The following is the financial information of the PRC JV for the period from 7 August 2008 (date of establishment) to 2 September 2008, as extracted from the accountant's report on the financial information of the PRC JV included in the circular to the Shareholders dated 14 November 2008, which is not subject to any qualified opinion.

I. FINANCIAL INFORMATION

INCOME STATEMENT

	For the period from 7 August 2008 (date of establishment) to 2 September 2008 *RMB'000*
Revenue	–
Administrative expenses	(130)
Operating loss	(130)
Interest income	4
Loss for the period	(126)
Attributable to:	
Equity holders of the PRC JV	(126)

BALANCE SHEET

	Note	As at 2 September 2008 RMB'000
ASSETS		
Current assets		
Prepayments	*7*	415,267
Cash and cash equivalents	*8*	9,993
Total assets		425,260
EQUITY		
Capital and reserves attributable to equity holders of the PRC JV		
Paid-in capital	*9*	10,000
Accumulated loss		(126)
Total equity		9,874
LIABILITIES		
Current liabilities		
Amount due to immediate holding company	*10*	415,000
Amount due to a fellow subsidiary	*10*	386
Total liabilities		415,386
Total equity and liabilities		425,260
Net current assets		9,874
Total assets less current liabilities		9,874

STATEMENT OF CHANGES IN EQUITY

	For the period from 7 August 2008 (date of establishment) to 2 September 2008		
	Paid-in capital	**Accumulated loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Issue of capital	10,000	–	10,000
Loss for the period	–	(126)	(126)
As at 2 September 2008	10,000	(126)	9,874

CASH FLOW STATEMENT

	Note	For the period from 7 August 2008 (date of establishment) to 2 September 2008 RMB'000
Operating activities		
Loss for the period		(126)
Interest income		(4)
Operating loss before working capital changes		(130)
Increase in prepayments		(415,267)
Increase in amount due to a fellow subsidiary		386
Net cash used in operating activities		(415,011)
Investing activity		
Interest received		4
Net cash generated from investing activity		4
Financing activities		
Increase in amount due to immediate holding company		415,000
Proceeds from issue of capital		10,000
Net cash generated from financing activities		425,000
Increase in cash and cash equivalents		9,993
Cash and cash equivalents as at 7 August 2008 (date of establishment)		–
Cash and cash equivalents as at 2 September 2008	8	9,993

II. NOTES TO THE FINANCIAL INFORMATION

1 ORGANISATION AND OPERATIONS

Minmetals Property Development Nanjing Co., Ltd. (the "PRC JV") is a limited liability company established in The People's Republic of China (the "PRC") on 7 August 2008 with a registered capital of RMB10,000,000. The address of its registered office is 南京市建鄴區興隆大街188號2–24室.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The Financial Information of the PRC JV has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The Financial Information has been prepared under the historical cost convention.

(i) New/revised standards and amendment to existing standard relevant to the PRC JV that are not yet effective and have not been early adopted by the PRC JV

The following new/revised standards are mandatory for accounting periods beginning on or after 1 January 2009 but have not been early adopted by the PRC JV:

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

HKAS 23 (Revised), "Borrowing Costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The PRC JV will apply HKAS 23 (Revised) from 1 January 2009. It is not expected to have a material impact on the PRC JV's Financial Information.

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

(b) Segment reporting

A business segment is a group of assets and operations 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.

(c) Functional and presentation currency

The Financial Information is presented in Renminbi ("RMB"), which is the PRC JV's functional and presentation currency.

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.

(d) Land use rights

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

(e) Cash and cash equivalents

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

(f) Paid-in capital

Paid-in capital is classified as equity.

(g) Other payable

Other payable is initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless the discounting effect is not material.

(h) Impairment of non-financial assets

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

(i) Interest income

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

(j) 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.

3 FINANCIAL RISK FACTOR AND MANAGEMENT

3.1 Financial risk factors

The PRC JV's activities expose it to credit risk and liquidity risk. These risks are managed by the PRC JV's financial management policies and practices as described below to minimise potential adverse effects on the PRC JV's financial performance.

(a) Credit risk

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

(b) Liquidity risk

Management considers the liquidity risk of the PRC JV to be low, as it is contemplated that substantially all of the PRC JV's financial liabilities, comprising mainly the amount due to immediate holding company, will be settled upon the injection of additional capital (see Note 9).

The table below analyses the PRC JV'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*
Amount due to immediate holding company	415,000
Amount due to a fellow subsidiary	386
	415,386

3.2 Capital risk management

The total equity of the PRC JV represents the capital structure of the PRC JV.

The PRC JV's objectives when managing capital are to safeguard the PRC JV's ability to continue as a going concern in order to provide returns for shareholder. The PRC JV obtains its financial support from its immediate holding company.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Fair value estimation

The carrying values of amounts due to immediate holding company and a fellow subsidiary approximate their fair values due to their short-term nature and discounting effect is considered minimal.

5 SEGMENT INFORMATION

(i) Business segments – primary reporting format

No segment analysis for business segment is presented as all operations of the PRC JV are solely relating to the real estate development.

(ii) Geographical segments – secondary reporting format

No segment analysis for geographical segment is presented as all the operations and assets of the PRC JV are in the PRC.

6 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this accountant's report, is not considered meaningful as the PRC JV has registered capital only.

7 PREPAYMENTS

The amount represents the partial payment for acquiring a parcel of land in Nanjing, the PRC (Note 12) of RMB415,000,000 and other related expenses.

8 CASH AND CASH EQUIVALENTS

	As at 2 September 2008 *RMB'000*
Bank deposits denominated in RMB	9,993

9 PAID-IN CAPITAL

	As at 2 September 2008 *RMB'000*
Registered and paid-in capital	10,000

The Company was established in the PRC on 7 August 2008 as a limited liability company with a registered capital of RMB10,000,000. The registered capital was fully paid up on 29 July 2008.

Pursuant to a capital expansion agreement ("Capital Expansion Agreement") and a joint venture agreement ("JV Agreement") entered into on 22 September 2008, subject to the conditions: (i) the Capital Expansion Agreement and the JV Agreement (together with the articles of association of the PRC JV) having been approved by the relevant authorities in the PRC; (ii) the warranties given by the parties to the Capital Expansion Agreement having remained true, accurate and valid as at the date of completion of the Capital Expansion Agreement as they were given at the date of the Capital Expansion Agreement; and (iii) no adverse changes to the PRC JV since the date of the Capital Expansion Agreement, Glory Dragon Development Limited ("HKCo") has committed to make a contribution to the registered capital of the PRC JV in cash equivalent to RMB884,800,000. Upon completion of the capital contribution and other regulatory processes, the PRC JV will be owned as to 98.88% by HKCo and the shareholding of the initial shareholder, Minmetals Investment & Co., Ltd ("CMID") will be diluted to 1.12%.

10 AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY AND A FELLOW SUBSIDIARY

The amounts due to immediate holding company and a fellow subsidiary denominated in RMB are unsecured, non-interest bearing and repayable on demand.

11 CONTINGENT LIABILITIES

As at 2 September 2008, the PRC JV did not have any material contingent liabilities.

12 CAPITAL COMMITMENTS

Capital commitments outstanding as at 2 September 2008 were as follows:

	As at 2 September 2008 *RMB'000*
Contracted but not provided for	
Acquisition of land use rights	415,000

On 25 June 2008, CMID, the immediate holding company of the PRC JV, was granted the right to purchase a parcel of land in Nanjing, the PRC. On 4 July 2008, CMID entered into the State-owned land use right grant contract (國有土地使用權出讓合同) ("Land Grant Contract") with the Nanjing Land and Resource Administration Bureau (南京國土資源局) ("Land Bureau") in respect of the Land pursuant to which the land use rights of the Land shall be granted to CMID for a land premium at an aggregate price of RMB830,000,000.

According to an approval (Ning Guo Tu Zi [2008] No. 366) dated 1 September 2008 issued by the Land Bureau, the Land Bureau approved the change of the grantee of the Land from CMID to the PRC JV and the assumption by the PRC JV of the rights and obligations under the Land Grant Contract.

An amount of RMB415,000,000, as disclosed in Note 7, representing 50% partial payment has been paid while the 20% partial payment has been paid on 24 September 2008 and remaining 30% will become due by 17 November 2008 according to the payment schedules set out in the Land Grant Contract.

13 RELATED PARTY TRANSACTIONS

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

As China Minmetals is a State-owned enterprise, the government of the PRC (the "PRC Government") is considered as the PRC JV'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 PRC JV. To balance the cost and benefit in making disclosures, the PRC JV has only disclosed material transactions with such State-controlled enterprises.

Except for those disclosed in the Note 10 and 12, the following transactions were carried out with related parties during the Relevant Period:

(a) Transactions with related parties

	For the period from 7 August 2008 (date of establishment) to 2 September 2008
	RMB'000
Bank interest income from a state-owned bank	4

(b) Balances with related parties

	As at 2 September 2008
	RMB'000
Amount due to immediate holding company	415,000
Amount due to a fellow subsidiary	386
Bank deposits in a state-owned bank	9,993

14 EVENTS AFTER THE BALANCE SHEET DATE

As disclosed in Note 9 above, upon completion of the capital expansion and other regulatory processes, the PRC JV will be owned as to 98.88% by HKCo and the shareholding of CMID will be diluted to 1.12%.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the PRC JV in respect of any period subsequent to 2 September 2008. No dividend or distribution has been declared, made or paid by the PRC JV in respect of any period subsequent to 2 September 2008 and up to the date of this report.

B. Unaudited pro forma financial information

As extracted from Appendix IV to the circular to the Shareholders dated 14 November 2008, set out below are the unaudited pro forma consolidated balance sheet, income statement and cash flow statement of the Group and the PRC JV (together, the "Enlarged Group"), the Enlarged Group assuming the exercise of the final exit option (the "Possible Enlarged Group") and the Enlarged Group assuming the exercise of the default sell option (the "Possible Remaining Group"), also set out below is the unaudited pro forma consolidated balance sheet of the Enlarged Group assuming the exercise of the buy-back option (the "Enlarged Group After Buy-back"). The unaudited pro forma financial information has been prepared based on the financial statements of the Group for the year ended 31 December 2007 and the six months ended 30 June 2008, after making certain pro forma adjustments as set out below.

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results and financial positions of the Enlarged Group, the Enlarged Group After Buy-back, the Possible Enlarged Group and the Possible Remaining Group had the very substantial acquisition, possible major acquisition, possible very substantial acquisition and possible very substantial disposal been completed as at 1 January 2007, 30 June 2008 or any future dates.

A. VERY SUBSTANTIAL ACQUISITION

(i) Unaudited pro forma consolidated balance sheet of the Enlarged Group

		Pro forma adjustments				
	Audited consolidated balance sheet of the Group as at 30 June 2008		Audited balance sheet of PRC JV as at 2 September 2008			Pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
ASSETS						
Non-current assets						
Property, plant and equipment	23,072		–			23,072
Investment properties	356,249		–			356,249
Goodwill	9,107		–	167		9,274
Other assets	457		–			457
	388,885		–			389,052
Current assets						
Inventories	1,709,735		–			1,709,735
Trade and other receivables	269,464		474,193			743,657
Gross amounts due from customers for contract work	379		–			379
Pledged deposits	5,550		–			5,550
Cash and bank deposits	783,143	490,332	11,411			1,284,886
	2,768,271		485,604			3,744,207
Total assets	3,157,156		485,604			4,133,259

	Audited consolidated balance sheet of the Group as at 30 June 2008	Pro forma adjustments	Audited balance sheet of PRC JV as at 2 September 2008			Pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
EQUITY						
Capital and reserves contributable to equity holders of the Company						
Share capital	77,383		11,419	(11,419)		77,383
Other reserves	854,510	52,204	(144)	144		906,714
	931,893		11,275			984,097
Minority interests	204,493		–	11,442		215,935
Total equity	1,136,386		11,275			1,200,032
LIABILITIES						
Non-current liabilities						
Borrowings	268,115		–			268,115
Deferred tax liabilities	123		–			123
Other liabilities	8,919		–			8,919
	277,157		–			277,157

		Pro forma adjustments				
	Audited consolidated balance sheet of the Group as at 30 June 2008		**Audited balance sheet of PRC JV as at 2 September 2008**			**Pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Current liabilities						
Trade and other payables	409,096	70,811	–			479,907
Deferred revenue	1,028,582		–			1,028,582
Current tax payable	11,116		–			11,116
Borrowings	294,819	367,317	–			662,136
Amount due to immediate holding company	–		473,889		(473,889)	–
Amount due to a fellow subsidiary	–		440			440
Amount due to a minority investor	–		–		473,889	473,889
	1,743,613		474,329			2,656,070
Total liabilities	2,020,770		474,329			2,933,227
Total equity and liabilities	3,157,156		485,604			4,133,259
Net current assets	1,024,658		11,275			1,088,137
Total assets less current liabilities	1,413,543		11,275			1,477,189

(ii) Unaudited pro forma consolidated income statement of the Enlarged Group

		Pro forma adjustments		
	Audited consolidated income statement of the Group for the year ended 31 December 2007		Audited income statement of PRC JV from 7 August 2008 (date of establishment) to 2 September 2008	Pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
Revenue	431,206		–	431,206
Cost of sales	(372,096)		–	(372,096)
Gross profit	59,110		–	59,110
Other gains	142,369		–	142,369
Selling and distribution costs	(23,470)		–	(23,470)
Administrative expenses	(59,304)		(148)	(59,452)
Other operating expenses	(2,746)		–	(2,746)
Impairment of goodwill	(12,554)		–	(12,554)
Revaluation gain on investment properties	50,480		–	50,480
Operating profit	153,885		(148)	153,737
Finance income	8,645		5	8,650
Finance costs	(1,579)	(23,314)	–	(24,893)
Profit/(loss) before tax	160,951		(143)	137,494
Income tax	(1,453)		–	(1,453)
Profit/(loss) for the year/period	159,498		(143)	136,041

(iii) Unaudited pro forma consolidated cash flow statement of the Enlarged Group

	Audited consolidated cash flow statement of the Group for the year ended 31 December 2007	Pro forma adjustments	Audited cash flow statement of PRC JV from 7 August 2008 (date of establishment) to 2 September 2008			Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 5*	*Note 6*	
Operating activities						
Cash generated from/(used in) operations	772,197		(473,902)			298,295
Interest paid	(30,163)		–			(30,163)
Income tax refund	13		–			13
Net cash generated from/(used in) operating activities	742,047		(473,902)			268,145
Investing activities						
Acquisition of a subsidiary	(127,960)		–			(127,960)
Partial disposal of a subsidiary	1		–			1
Purchase of property, plant and equipment	(4,724)		–			(4,724)
Net proceeds from disposal of available-for-sale financial assets	157,831		–			157,831
Proceeds from disposal of property, plant and equipment	117		–			117
Interest received	8,645		5			8,650
Net cash generated from investing activities	33,910		5			33,915

		Pro forma adjustments				
	Audited consolidated cash flow statement of the Group for the year ended 31 December 2007		**Audited cash flow statement of PRC JV from 7 August 2008 (date of establishment) to 2 September 2008**			**Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 5*	*Note 6*	
Financing activities						
Proceeds from issue of shares	1,369		11,419		(11,419)	1,369
Capital injection by minority investors	–	79,248	–		11,419	90,667
Increase in amount due to immediate holding company	–		473,889	(473,889)		–
Increase in amount due to a minority investor	–		–	473,889		473,889
New borrowings	310,497	411,084	–			721,581
Repayment of borrowings	(422,869)		–			(422,869)
Increase in pledged deposits	19,144		–			19,144
Net cash (used in)/generated from financing activities	(91,859)		485,308			883,781
Increase in cash and cash equivalents	684,098		11,411			1,185,841
Cash and cash equivalents at beginning of the year/period	112,585		–			112,585
Cash and cash equivalents at end of the year/period	796,683		11,411			1,298,426

B. POSSIBLE MAJOR ACQUISITION

(i) Unaudited pro forma consolidated balance sheet of the Enlarged Group After Buy-back

		Pro forma adjustments						
	Audited consolidated balance sheet of the Group as at 30 June 2008		**Audited balance sheet of PRC JV as at 2 September 2008**			**Pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008**	**Other pro forma adjustment**	**Pro forma consolidated balance sheet of the Enlarged Group After Buy-back as at 30 June 2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*		*Note 7*	
ASSETS								
Non-current assets								
Property, plant and equipment	23,072		–			23,072		23,072
Investment properties	356,249		–			356,249		356,249
Goodwill	9,107		–	167		9,274		9,274
Other assets	457		–			457		457
	388,885		–			389,052		389,052
Current assets								
Inventories	1,709,735		–			1,709,735		1,709,735
Trade and other receivables	269,464		474,193			743,657		743,657
Gross amounts due from customers for contract work	379		–			379		379
Pledged deposits	5,550		–			5,550		5,550
Cash and bank deposits	783,143	490,332	11,411			1,284,886	(490,332)	794,554
	2,768,271		485,604			3,744,207		3,253,875
Total assets	3,157,156		485,604			4,133,259		3,642,927
EQUITY								
Capital and reserves contributable to equity holders of the Company								
Share capital	77,383		11,419	(11,419)		77,383		77,383
Other reserves	854,510	52,204	(144)	144		906,714	(52,204)	854,510
	931,893		11,275			984,097		931,893
Minority interests	204,493		–	11,442		215,935		215,935
Total equity	1,136,386		11,275			1,200,032		1,147,828

	Audited consolidated balance sheet of the Group as at 30 June 2008	Pro forma adjustments	Audited balance sheet of PRC JV as at 2 September 2008	Pro forma adjustments	Pro forma adjustments	Pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008	Other pro forma adjustment	Pro forma consolidated balance sheet of the Enlarged Group After Buy-back as at 30 June 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*		*Note 7*	
LIABILITIES								
Non-current liabilities								
Borrowings	268,115		–			268,115		268,115
Deferred tax liabilities	123		–			123		123
Other liabilities	8,919		–			8,919		8,919
	277,157		–			277,157		277,157
Current liabilities								
Trade and other payables	409,096	70,811	–			479,907	(70,811)	409,096
Deferred revenue	1,028,582		–			1,028,582		1,028,582
Current tax payable	11,116		–			11,116		11,116
Borrowings	294,819	367,317	–			662,136	(367,317)	294,819
Amount due to immediate holding company	–		473,889		(473,889)	–		–
Amount due to a fellow subsidiary	–		440			440		440
Amount due to a minority investor	–		–		473,889	473,889		473,889
	1,743,613		474,329			2,656,070		2,217,942
Total liabilities	2,020,770		474,329			2,933,227		2,495,099
Total equity and liabilities	3,157,156		485,604			4,133,259		3,642,927
Net current assets	1,024,658		11,275			1,088,137		1,035,933
Total assets less current liabilities	1,413,543		11,275			1,477,189		1,424,985

C. POSSIBLE VERY SUBSTANTIAL ACQUISITION

(i) Unaudited pro forma consolidated balance sheet of the Possible Enlarged Group

	Audited consolidated balance sheet of the Group as at 30 June 2008	Pro forma adjustments	Audited balance sheet of PRC JV as at 2 September 2008			Pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008	Other pro forma adjustment	Pro forma consolidated balance sheet of the Possible Enlarged Group as at 30 June 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*		*Note 8*	
ASSETS								
Non-current assets								
Property, plant and equipment	23,072		–			23,072		23,072
Investment properties	356,249		–			356,249		356,249
Goodwill	9,107		–	167		9,274		9,274
Other assets	457		–			457		457
	388,885		–			389,052		389,052
Current assets								
Inventories	1,709,735		–			1,709,735		1,709,735
Trade and other receivables	269,464		474,193			743,657		743,657
Gross amounts due from customers for contract work	379		–			379		379
Pledged deposits	5,550		–			5,550		5,550
Cash and bank deposits	783,143	490,332	11,411			1,284,886	(490,332)	794,554
	2,768,271		485,604			3,744,207		3,253,875
Total assets	3,157,156		485,604			4,133,259		3,642,927
EQUITY								
Capital and reserves contributable to equity holders of the Company								
Share capital	77,383		11,419	(11,419)		77,383		77,383
Other reserves	854,510	52,204	(144)	144		906,714	(52,204)	854,510
	931,893		11,275			984,097		931,893
Minority interests	204,493		–	11,442		215,935		215,935
Total equity	1,136,386		11,275			1,200,032		1,147,828

	Audited consolidated balance sheet of the Group as at 30 June 2008	Pro forma adjustments	Audited balance sheet of PRC JV as at 2 September 2008	Pro forma adjustments	Pro forma adjustments	Pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008	Other pro forma adjustment	Pro forma consolidated balance sheet of the Possible Enlarged Group as at 30 June 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*		*Note 8*	
LIABILITIES								
Non-current liabilities								
Borrowings	268,115		–			268,115		268,115
Deferred tax liabilities	123		–			123		123
Other liabilities	8,919		–			8,919		8,919
	277,157		–			277,157		277,157
Current liabilities								
Trade and other payables	409,096	70,811	–			479,907	(70,811)	409,096
Deferred revenue	1,028,582		–			1,028,582		1,028,582
Current tax payable	11,116		–			11,116		11,116
Borrowings	294,819	367,317	–			662,136	(367,317)	294,819
Amount due to immediate holding company	–		473,889		(473,889)	–		–
Amount due to a fellow subsidiary	–		440			440		440
Amount due to a minority investor	–		–		473,889	473,889		473,889
	1,743,613		474,329			2,656,070		2,217,942
Total liabilities	2,020,770		474,329			2,933,227		2,495,099
Total equity and liabilities	3,157,156		485,604			4,133,259		3,642,927
Net current assets	1,024,658		11,275			1,088,137		1,035,933
Total assets less current liabilities	1,413,543		11,275			1,477,189		1,424,985

(ii) Unaudited pro forma consolidated income statement of the Possible Enlarged Group

	Audited consolidated income statement of the Group for the year ended 31 December 2007	Pro forma adjustments		Pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2007	Other pro forma adjustment	Pro forma consolidated income statement of the Possible Enlarged Group for the year ended 31 December 2007
			Audited income statement of PRC JV from 7 August 2008 (date of establishment) to 2 September 2008			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*		*Note 8*	
Revenue	431,206		–	431,206		431,206
Cost of sales	(372,096)		–	(372,096)		(372,096)
Gross profit	59,110		–	59,110		59,110
Other gains	142,369		–	142,369		142,369
Selling and distribution costs	(23,470)		–	(23,470)		(23,470)
Administrative expenses	(59,304)		(148)	(59,452)		(59,452)
Other operating expenses	(2,746)		–	(2,746)		(2,746)
Impairment of goodwill	(12,554)		–	(12,554)		(12,554)
Revaluation gain on investment properties	50,480		–	50,480		50,480
Operating profit	153,885		(148)	153,737		153,737
Finance income	8,645		5	8,650		8,650
Finance costs	(1,579)	(23,314)	–	(24,893)	23,314	(1,579)
Profit/(loss) before tax	160,951		(143)	137,494		160,808
Income tax	(1,453)		–	(1,453)		(1,453)
Profit/(loss) for the year/period	159,498		(143)	136,041		159,355

(iii) Unaudited pro forma consolidated cash flow statement of the Possible Enlarged Group

		Pro forma adjustments						
	Audited consolidated cash flow statement of the Group for the year ended 31 December 2007		Audited cash flow statement of PRC JV from 7 August 2008 (date of establishment) to 2 September 2008			Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2007	Other pro forma adjustment	Pro forma consolidated cash flow statement of the Possible Enlarged Group for the year ended 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 5*	*Note 6*		*Note 8*	
Operating activities								
Cash generated from/(used in) operations	772,197		(473,902)			298,295		298,295
Interest paid	(30,163)		–			(30,163)		(30,163)
Income tax refund	13		–			13		13
Net cash generated from/(used in) operating activities	742,047		(473,902)			268,145		268,145
Investing activities								
Acquisition of a subsidiary	(127,960)		–			(127,960)		(127,960)
Acquisition of additional interests in subsidiaries	–		–			–	(79,248)	(79,248)
Partial disposal of a subsidiary	1		–			1		1
Purchase of property, plant and equipment	(4,724)		–			(4,724)		(4,724)
Net proceeds from disposal of available-for-sale financial assets	157,831		–			157,831		157,831
Proceeds from disposal of property, plant and equipment	117		–			117		117
Interest received	8,645		5			8,650		8,650
Net cash generated from/(used in) investing activities	33,910		5			33,915		(45,333)

		Pro forma adjustments						
	Audited consolidated cash flow statement of the Group for the year ended 31 December 2007		Audited cash flow statement of PRC JV from 7 August 2008 (date of establishment) to 2 September 2008			Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2007	Other pro forma adjustment	Pro forma consolidated cash flow statement of the Possible Enlarged Group for the year ended 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 5*	*Note 6*		*Note 8*	
Financing activities								
Proceeds from issue of shares	1,369		11,419		(11,419)	1,369		1,369
Capital injection by minority investors	–	79,248	–		11,419	90,667		90,667
Increase in amount due to immediate holding company	–		473,889	(473,889)		–		–
Increase in amount due to a minority investor	–		–	473,889		473,889		473,889
New borrowings	310,497	411,084	–			721,581		721,581
Repayment of borrowings	(422,869)		–			(422,869)	(411,084)	(833,953)
Increase in pledged deposits	19,144		–			19,144		19,144
Net cash (used in)/ generated from financing activities	(91,859)		485,308			883,781		472,697
Increase in cash and cash equivalents	684,098		11,411			1,185,841		695,509
Cash and cash equivalents at beginning of the year/period	112,585		–			112,585		112,585
Cash and cash equivalents at end of the year/period	796,683		11,411			1,298,426		808,094

D. POSSIBLE VERY SUBSTANTIAL DISPOSAL

(i) Unaudited pro forma consolidated balance sheet of the Possible Remaining Group

	Audited consolidated balance sheet of the Group as at 30 June 2008	Pro forma adjustments	Audited balance sheet of PRC JV as at 2 September 2008			Pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008	Other pro forma adjustment	Pro forma consolidated balance sheet of the Possible Remaining Group as at 30 June 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*		*Note 9*	
ASSETS								
Non-current assets								
Property, plant and equipment	23,072		–			23,072		23,072
Investment properties	356,249		–			356,249		356,249
Goodwill	9,107		–	167		9,274	(167)	9,107
Other assets	457		–			457		457
	388,885		–			389,052		388,885
Current assets								
Inventories	1,709,735		–			1,709,735		1,709,735
Trade and other receivables	269,464		474,193			743,657	(474,193)	269,464
Gross amounts due from customers for contract work	379		–			379		379
Pledged deposits	5,550		–			5,550		5,550
Cash and bank deposits	783,143	490,332	11,411			1,284,886	(501,743)	783,143
	2,768,271		485,604			3,744,207		2,768,271
Total assets	3,157,156		485,604			4,133,259		3,157,156
EQUITY								
Capital and reserves contributable to equity holders of the Company								
Share capital	77,383		11,419	(11,419)		77,383		77,383
Other reserves	854,510	52,204	(144)	144		906,714	(52,204)	854,510
	931,893		11,275			984,097		931,893
Minority interests	204,493		–	11,442		215,935	(11,442)	204,493
Total equity	1,136,386		11,275			1,200,032		1,136,386

		Pro forma adjustments						
	Audited consolidated balance sheet of the Group as at 30 June 2008		Audited balance sheet of PRC JV as at 2 September 2008			Pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008	Other pro forma adjustment	Pro forma consolidated balance sheet of the Possible Remaining Group as at 30 June 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*		*Note 9*	
LIABILITIES								
Non-current liabilities								
Borrowings	268,115		–			268,115		268,115
Deferred tax liabilities	123		–			123		123
Other liabilities	8,919		–			8,919		8,919
	277,157		–			277,157		277,157
Current liabilities								
Trade and other payables	409,096	70,811	–			479,907	(70,811)	409,096
Deferred revenue	1,028,582		–			1,028,582		1,028,582
Current tax payable	11,116		–			11,116		11,116
Borrowings	294,819	367,317	–			662,136	(367,317)	294,819
Amount due to immediate holding company	–		473,889		(473,889)	–		–
Amount due to a fellow subsidiary	–		440			440	(440)	–
Amount due to a minority investor	–		–		473,889	473,889	(473,889)	–
	1,743,613		474,329			2,656,070		1,743,613
Total liabilities	2,020,770		474,329			2,933,227		2,020,770
Total equity and liabilities	3,157,156		485,604			4,133,259		3,157,156
Net current assets	1,024,658		11,275			1,088,137		1,024,658
Total assets less current liabilities	1,413,543		11,275			1,477,189		1,413,543

(ii) Unaudited pro forma consolidated income statement of the Possible Remaining Group

		Pro forma adjustments				
	Audited consolidated income statement of the Group for the year ended 31 December 2007		**Audited income statement of PRC JV from 7 August 2008 (date of establishment) to 2 September 2008**	**Pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2007**	**Other pro forma adjustment**	**Pro forma consolidated income statement of the Possible Remaining Group for the year ended 31 December 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*		*Note 9*	
Revenue	431,206		–	431,206		431,206
Cost of sales	(372,096)		–	(372,096)		(372,096)
Gross profit	59,110		–	59,110		59,110
Other gains	142,369		–	142,369		142,369
Selling and distribution costs	(23,470)		–	(23,470)		(23,470)
Administrative expenses	(59,304)		(148)	(59,452)	148	(59,304)
Other operating expenses	(2,746)		–	(2,746)		(2,746)
Impairment of goodwill	(12,554)		–	(12,554)		(12,554)
Revaluation gain on investment properties	50,480		–	50,480		50,480
Operating profit	153,885		(148)	153,737		153,885
Finance income	8,645		5	8,650	(5)	8,645
Finance costs	(1,579)	(23,314)	–	(24,893)	23,314	(1,579)
Profit/(loss) before tax	160,951		(143)	137,494		160,951
Income tax	(1,453)		–	(1,453)		(1,453)
Profit/(loss) for the year/period	159,498		(143)	136,041		159,498

(iii) Unaudited pro forma consolidated cash flow statement of the Possible Remaining Group

		Pro forma adjustments						
	Audited consolidated cash flow statement of the Group for the year ended 31 December 2007		Audited cash flow statement of PRC JV from 7 August 2008 (date of establishment) to 2 September 2008			Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2007	Other pro forma adjustments	Pro forma cash flow statement of the Possible Remaining Group for the year ended 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 5*	*Note 6*		*Note 9*	
Operating activities								
Cash generated from/(used in) operations	772,197		(473,902)			298,295	473,902	772,197
Interest paid	(30,163)		–			(30,163)		(30,163)
Income tax refund	13		–			13		13
Net cash generated from/ (used in) operating activities	742,047		(473,902)			268,145		742,047
Investing activities								
Acquisition of a subsidiary	(127,960)		–			(127,960)		(127,960)
Partial disposal of a subsidiary	1		–			1		1
Net proceeds from disposal of subsidiaries	–		–			–	(90,667)	(90,667)
Purchase of property, plant and equipment	(4,724)		–			(4,724)		(4,724)
Net proceeds from disposal of available-for-sale financial assets	157,831		–			157,831		157,831
Proceeds from disposal of property, plant and equipment	117		–			117		117
Interest received	8,645		5			8,650	(5)	8,645
Net cash generated from/(used in) investing activities	33,910		5			33,915		(56,757)
Financing activities								
Proceeds from issue of shares	1,369		11,419		(11,419)	1,369		1,369
Capital injection by minority investors	–	79,248	–		11,419	90,667		90,667
Increase in amount due to immediate holding company	–		473,889	(473,889)		–		–
Increase/(decrease) in amount due to a minority investor	–		–	473,889		473,889	(473,889)	–
New borrowings	310,497	411,084	–			721,581		721,581
Repayment of borrowings	(422,869)		–			(422,869)	(411,084)	(833,953)
Increase in pledged deposits	19,144		–			19,144		19,144

	Audited consolidated cash flow statement of the Group for the year ended 31 December 2007	Pro forma adjustments				Pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2007	Other pro forma adjustments	Pro forma cash flow statement of the Possible Remaining Group for the year ended 31 December 2007
			Audited cash flow statement of PRC JV from 7 August 2008 (date of establishment) to 2 September 2008					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 5*	*Note 6*		*Note 9*	
Net cash (used in)/generated from financing activities	(91,859)		485,308			883,781		(1,192)
Increase in cash and cash equivalents	684,098		11,411			1,185,841		684,098
Cash and cash equivalents at beginning of the year/period	112,585		–			112,585		112,585
Cash and cash equivalents at end of the year/period	796,683		11,411			1,298,426		796,683

Notes:

1. The audited consolidated balance sheet of the Group as at 30 June 2008, and the audited consolidated income statement and cash flow statement of the Group for the year ended 31 December 2007 are extracted from the accountant's report of the Company which is set out in Appendix I to the circular to the Shareholders dated 14 November 2008.

2. The adjustment represents the recognition of the cash injected by the Fund, the financial liabilities arising from the Buy-back Option granted by the Group to the Fund and the shareholders' loan of RMB360,000,000 (approximately HK$411,084,000) provided by the Fund. Under the Buy-back Option, the Group has an unavoidable contractual obligation to purchase the Fund's equity interests in Holdco at a consideration equal to the original investment cost of RMB69,400,000 (approximately HK$79,248,000) and assume the shareholder's loan provided by the Fund if the Buy-back Triggering Events occur.

   The financial liabilities arising from the Buy-back Option in respect of the Fund's equity interest and the shareholder's loan are recognised initially at their fair values of HK$70,811,000 and HK$367,317,000 respectively at an applicable discount rate of 5.79%, assuming they will be repaid on 30 June 2010, the last date of the exercise of the Buy-back Option and the difference of HK$52,204,000 is credited to other reserves. The financial liabilities are classified under current liabilities because the Group cannot unconditionally defer the payments beyond one year under the Buy-back Option.

   For the purpose of the unaudited pro forma consolidated income statement, the finance cost arising from the accretion of the financial liabilities in relation to the Buy-back Option and the shareholder's loan from the Fund had been recognised based on the assumption that it was provided on 1 January 2007.

3. The adjustment represents the inclusion of the balance sheet as at 2 September 2008, and the income statement and cash flow statement for the period ended 2 September 2008 of the PRC JV as extracted from the accountant's report of the PRC JV as set out in Appendix II to the circular to the Shareholders dated 14 November 2008. The accountant's report of the PRC JV, which adopted Renminbi ("RMB") as its reporting currency, was translated into Hong Kong dollars ("HK$") using the exchange rate of RMB1.0000 = HK$1.1419 prevailing on 30 June 2008.

4. The adjustment represents the consolidation adjustment of the Group's investment in the PRC JV relating to the elimination of the registered capital and accumulated loss of the PRC JV and the recognition of minority interests of CMID amounting to HK$11,442,000. Goodwill of HK$167,000 was recognised as follows:

	HK$'000
Total capital contribution by the Fund and the Group	1,010,353
Holdco's 98.88% interest in fair value of net assets of PRC JV amounting to HK$1,021,628,000 after the capital contribution	(1,010,186)
Goodwill arising from the Very Substantial Acquisition	167

5. The adjustment represents the reclassification of amount due to immediate holding company to amount due to a minority investor due to the change in controlling shareholder of the PRC JV from CMID to the Group as a result of the Very Substantial Acquisition.

6. Proceeds amounting to HK$11,419,000 from share issuance by the PRC JV to CMID, the original shareholder, had been reclassified as capital injection from a minority investor in the unaudited pro forma cash flow statement.

7. The pro forma adjustment represents the exercise of the Buy-back Option for a total consideration equivalent to the sum of the Fund's original investment cost and the Fund's loan amount.

8. The pro forma adjustment represents the exercise of the Final Exit Option at the Final Exit Price by the Fund under which the Group is required to purchase the Fund's interests in Holdco. Since the future profit of the PRC JV cannot be determined at this stage, it is assumed that the Final Exit Price is equivalent to the Fund's original investment cost. It is also assumed that the loan from the Fund will be assumed by the Group at the time of the Final Exit.

9. The pro forma adjustment represents the exercise of the Default Sell Option by the Fund under which the Group is required to dispose of the Group's interests in Holdco to the Fund. The Default Sell Option is exercisable at a price to be determined after arm's length negotiation between the Fund and the Group by reference to the Fair Market Value of the shares of Holdco. As the Fair Market Value cannot be determined at this stage, it is assumed that the market value of Holdco as at 1 January 2007 and 30 June 2008 is equivalent to the Group's original investment cost.

10. No adjustment has been made to reflect the acquisition of Texion by the Group as disclosed in the circular of the Company dated 26 June 2008. The acquisition was completed on 15 August 2008.

11. No adjustment has been made to reflect any trading result or other transaction of the Group, Holdco or the PRC JV entered into subsequent to 30 June 2008 and 2 September 2008 respectively.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Set out below are the statement of unaudited pro forma consolidated assets and liabilities and the statements of unaudited pro forma adjusted consolidated net tangible assets of the Group and Target (together, the "Enlarged Group") (collectively, the "Unaudited Pro Forma Financial Information"). They have been prepared for the purpose of illustrating the effects of the Acquisition as if it had taken place on 31 December 2008. The Unaudited Pro Forma Financial Information has been prepared based on the audited financial statements of the Group for the year ended 31 December 2008 as set out in Appendix II to this supplemental circular, after making certain pro forma adjustments as set out below.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on 31 December 2008 or any future dates.

(I) STATEMENT OF UNAUDITED PRO FORMA CONSOLIATED ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Audited consolidated assets and liabilities of the Group as at 31 December 2008 *HK$'000* *Note 1*	Pro forma adjustment: Audited assets and liabilities of Target as at 30 June 2009 *HK$'000* *Note 2*	Unaudited consolidated assets and liabilities of the Enlarged Group as at 31 December 2008 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	77,679	–	77,679
Investment properties	897,959	–	897,959
Goodwill	9,003	–	9,003
Available-for-sale financial assets	–	610,745	610,745
	984,641	610,745	1,595,386
Current assets			
Inventories	1,234,937	–	1,234,937
Trade and other receivables	251,438	–	251,438
Gross amounts due from customers from contract work	328	–	328
Current tax recoverable	707	–	707
Restricted cash and pledged deposits	14,288	–	14,288
Cash and bank deposits	635,853	171,981	807,834
	2,137,551	171,981	2,309,532
Total assets	3,122,192	782,726	3,904,918
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	7,069	–	7,069
Other liabilities	11,159	–	11,159
	18,228	–	18,228
Current liabilities			
Trade and other payables	449,322	–	449,322
Deferred revenue	194,995	–	194,995
Current tax payable	43,535	–	43,535
Borrowings	639,134	–	639,134
	1,326,986	–	1,326,986
Total liabilities	1,345,214	–	1,345,214
Net assets attributable to the shareholders of the Company	1,582,060	782,726	2,364,786
Minority interests	194,918	–	194,918
Total equity	1,776,978	782,726	2,559,704

Notes to statement of unaudited pro forma consolidated assets and liabilities of the Enlarged Group:

1. The statement of audited consolidated assets and liabilities of the Group as at 31 December 2008 are extracted from the published annual report of the Group for the year ended 31 December 2008 as set out in Appendix II to this supplemental circular.

2. The adjustment represents the inclusion of the statement of assets and liabilities of Target as at 30 June 2009 as extracted from the accountant's report on the financial information of Target for the period from 28 August 2008 (date of incorporation) to 30 June 2009 as set out in Appendix I to this supplemental circular.

3. No adjustment has been made to reflect the formation of a joint venture with an investment fund and the participation of the joint venture in a real estate development project as disclosed in the circular of the Company dated 14 November 2008. The transaction was completed on 21 April 2009. The unaudited pro forma financial information in respect of this transaction had been extracted from the above-mentioned circular and included as Appendix III to this supplemental circular.

4. No adjustment has been made to reflect the potential impact of the rights issue by the Company as disclosed in the circular of the Company dated 9 June 2009, which was completed on 30 June 2009.

5. No adjustment has been made to reflect any trading results or other transaction of the Group and Target entered into subsequent to 31 December 2008 and 30 June 2009 respectively.

(II) STATEMENTS OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP AND STATEMENTS OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The statements of consolidated net tangible assets of the Group and statements of unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group are set out below to cover the following scenarios:

(a) 561,321,749 new Shares are assumed to be issued, as calculated based on the assumptions that the fair value of each Franshion Share acquired is HK$2.42, being the Franshion Current Market Price on 23 July 2009, the date of Latest Announcement, and the fair value of each Consideration Share issued is HK$1.30, being the MML Current Market Price on the date of the Latest Announcement ("Scenario 1");

(b) 808,022,919 new Shares are assumed to be issued, as calculated based on the assumptions that the fair value of each Franshion Share acquired is HK$2.90, being the Maximum Franshion Share Price, and the fair value of each Consideration Share issued is HK$1.04, being the Minimum MML Share Price ("Scenario 2"); and

(c) 396,854,302 new Shares are assumed to be issued, as calculated based on the assumptions that the fair value of each Franshion Share acquired is HK$1.94, being the Minimum Franshion Share Price, and the fair value of each Consideration Share issued is HK$1.56, being the Maximum MML Share Price ("Scenario 3").

	Consolidated net tangible assets of the Group attributable to the Shareholders of the Company as at 31 December 2008	Consolidated net tangible assets of the Group per Share as at 31 December 2008	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to the Shareholders of the Company as at 31 December 2008	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per Share as at 31 December 2008
	HK$'000	*HK$*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
Scenario 1	1,573,057	1.41	2,355,783	1.41
Scenario 2	1,573,057	1.41	2,355,783	1.23
Scenario 3	1,573,057	1.41	2,355,783	1.56

Notes to statements of adjusted consolidated net tangible assets of the Group and statements of unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group:

1. The consolidated net tangible assets of the Group attributable to the Shareholders of the Company as at 31 December 2008 of approximately HK$1,573,057,000 is calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of the Company as at 31 December 2008 of approximately HK$1,582,060,000 with an adjustment for goodwill as at 31 December 2008 of approximately HK$9,003,000. All these figures are extracted from the published annual report of the Group for the year ended 31 December 2008 as set out in Appendix II to this supplemental circular.

2. The consolidated net tangible assets of the Group per Share as at 31 December 2008 is determined based on 1,113,831,783 Shares in issue and outstanding as at 31 December 2008.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to the Shareholders of the Company as at 31 December 2008 of approximately HK$2,355,783,000, is calculated based on the consolidated net assets of the Enlarged Group attributable to the Shareholders of the Company as at 31 December 2008 of approximately HK$2,364,786,000, with an adjustment for goodwill as at 31 December 2008 of approximately HK$9,003,000. All these figures are extracted from the statement of unaudited pro forma consolidated assets and liabilities of the Enlarged Group as set out in Section I of this Appendix.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per Share as at 31 December 2008 is determined based on 1,675,153,532, 1,921,854,702 and 1,510,686,085 Shares for Scenarios 1, 2 and 3, respectively, assumed to be issued and outstanding as at 31 December 2008, representing the aggregate of 1,113,831,783 existing Shares and 561,321,749, 808,022,919 and 396,854,302 new Shares assumed to be issued pursuant to the Acquisition under Scenarios 1, 2 and 3, respectively on 31 December 2008.

5. No adjustment has been made to reflect the potential impact of the formation of a joint venture with an investment fund and the participation of the joint venture in a real estate development project by the Group as disclosed in the circular of the Company dated 14 November 2008. The transaction was completed on 21 April 2009. The unaudited pro forma financial information in respect of this transaction had been extracted from the above-mentioned circular and included as Appendix III to this supplemental circular.

6. No adjustment has been made to reflect the potential impact of the rights issue by the Company as disclosed in the circular of the Company dated 9 June 2009, which was completed on 30 June 2009.

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

We report on the unaudited pro forma financial information set out on pages IV-1 to IV-6 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix IV to the circular dated 12 August 2009 (the "Supplemental Circular") of Minmetals Land Limited (the "Company"), in connection with the proposed acquisition of Luck Achieve Limited involving an issue of ordinary shares (the "Acquisition") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages IV-1 to IV-6 of the Supplemental Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

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

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

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated statements of assets and liabilities of the Group and the consolidated net tangible assets of the Group attributable to the shareholders of the Company with the audited financial statements of the Group as at 31 December 2008, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

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

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2008 or any future date.

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 12 August 2009

INDEBTEDNESS

Borrowings

As at the close of business on 30 June 2009, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this supplemental circular, the Enlarged Group had aggregate outstanding borrowings of approximately HK$1,606,020,000, of which secured borrowings amounted to HK$985,424,000 (comprising secured short-term bank loans of approximately HK$270,154,000, secured long-term bank loans of approximately HK$543,970,000 and secured short-term loan from a fellow subsidiary of approximately HK$171,300,000), and unsecured short-term loans amounted to HK$620,596,000 (comprising the loans from minority investors of subsidiaries). As at the close of business on 30 June 2009, approximately HK$700,154,000 (representing secured loans) of the total borrowings of the Enlarged Group was guaranteed by the Company through corporate guarantees while the remaining HK$905,866,000 was not guaranteed by the Company.

Securities, charges and guarantees and contingent liabilities

As at the close of business on 30 June 2009, the aggregate outstanding borrowings of the Enlarged Group amounting to approximately HK$985,424,000 were secured by (i) pledged deposits of the Enlarged Group of approximately HK$5,620,000; (ii) investment properties of the Enlarged Group with carrying amounts of approximately HK$917,959,000; (iii) leasehold land and buildings of the Enlarged Group with carrying amounts of approximately HK$59,919,000; (iv) properties under development of the Enlarged Group with carrying amounts of approximately HK$1,153,867,000; and (v) corporate guarantees provided by the Company.

As at the close of business on 30 June 2009, the Enlarged Group has provided guarantees in respect of mortgage facilities granted by certain banks in relation to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Company and the outstanding mortgage loans under these guarantees amounted to approximately HK$418,395,000.

General

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 June 2009.

WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's presently available banking facilities and internal resources, the Enlarged Group will have sufficient working capital, in the absence of unforeseeable circumstances, to meet its present requirements for the next 12 months from the date of publication of this supplemental circular.

BUSINESS TREND OF THE ENLARGED GROUP SINCE 31 DECEMBER 2008 AND FINANCIAL AND TRADING PROSPECTS FOR 2009

Business Review

The principal businesses of the Group are real estate development and project management, specialised construction and property investment in the PRC and Hong Kong. In the past few years, the Group has continued to devote its resources and efforts to strengthen its real estate business in the PRC and Hong Kong. In addition to its two PRC residential projects, namely the Laguna Bay Project in Nanjing and the LOHAS International Community Project in Changsha which have a total attributable planned gross floor area of approximately 760,000 square metres, the Group acquired a new real estate development project in Nanjing City, Jiangsu Province, in a joint venture with an investment fund. On the other hand, the Group's portfolio of investment properties was enlarged with the acquisition of the China Minmetals Tower in 2008; together with the ONFEM Tower and five residential properties in Hong Kong, the Group's investment properties has a total gross floor area of approximately 15,000 square metres. The Group performed well in 2008, achieving 219.3% growth in turnover and 26.1% growth in profit before tax.

Financial Management and Position

The Group continues to adhere to prudent financial management. By maintaining a reasonable leverage, the Group endeavors to keep a healthy financial position to meet the challenges ahead of the global financial crisis. The rights issue that was completed on 30 June 2009 raised approximately HK523,501,000 for the Company. The Acquisition when completed will increase the assets of the Group by approximately HK$782,726,000. This will reduce the gearing of the Group and enhance the financial capability and flexibility of the Group further.

Trading Prospects

The year 2009 has started with increasing signs of a simultaneous recession in major economies in the world and the PRC property market continued to slow down. However, the PRC Government has been implementing economic stimulus plans to address the impact of the worldwide financial turmoil on the economic growth in the PRC. The Group would continue to adopt a prudent and pragmatic approach in its business development by exploring appropriate business opportunities at a lower cost base as well as seeking the most efficient use of the Group's financial resources so as to be prepared for the next expansion phase of the PRC property market in the future. The Group will also continue to leverage on the strong financial base and extensive business connections of China Minmetals, its controlling shareholder, in the Group's business development. In particular, the Group will strive to build brand recognition as the Hong Kong listed real estate flagship subsidiary of China Minmetals, and expand collaboration with China Minmetals to enhance the performance of its core businesses of real estate development and specialised construction.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF TARGET

Set out in Appendix I to this supplemental circular is the accountant's report on the financial information of Target for the period from 28 August 2008 (date of incorporation) to 30 June 2009 (the "Relevant Period"). Below is the management discussion and analysis on Target's performance during the Relevant Period.

Loss on disposal of available-for-sale financial assets

Loss on disposal of available-for-sale financial assets was approximately HK$83,985,000 in the Relevant Period because the Jin Mao Investment with a carrying value of approximately HK$1,083,456,000 was disposed of at a consideration comprising cash amounting to approximately HK$527,008,000 and the Franshion Shares with a fair value of approximately HK$472,463,000.

Interest income

Interest income was approximately HK$652,000 during the Relevant Period as a result of interest income received on bank deposits.

Loss for the period

As a result of the cumulative effects as described above, the loss for the Relevant Period was approximately HK$83,333,000.

Others

There was no charges of assets during the Relevant Period. Other than the holding of Cash Proceed and Franshion Shares, Target currently has no future plans for material investments or capital assets.

FINANCIAL RESOURCES, CAPITAL STRUCTURE AND LIQUIDITY

For the Relevant Period, Target derived its fund from issue of capital and had no liabilities. As a result, Target had no gearing.

Cash and cash equivalents amounted to approximately HK$171,981,000 were denominated in Hong Kong dollars.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The business activities and operations of Target were in Hong Kong, with income, expenditure and assets denominated in Hong Kong dollars. It did not have significant foreign exchange exposure. As such, Target had not implemented hedging or other alternative measures during the Relevant Period.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to Shareholders for consideration of the Refreshed Repurchase Mandate.

1. LISTING RULES FOR REPURCHASES OF SECURITIES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below.

The Listing Rules provide that all proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by Shareholders by an ordinary resolution, either by way of a general mandate, or by a special approval in relation to specific transactions.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,670,747,674 Shares. Subject to the passing of the ordinary resolution in respect of the Refreshed Repurchase Mandate, the Company would be allowed under the Refreshed Repurchase Mandate to repurchase a maximum of 167,074,767 Shares on the basis that no further Shares will be issued or repurchased prior to the date of the SGM.

3. REASONS FOR REPURCHASES

The Directors believe that the Refreshed Repurchase Mandate is in the interests of the Company and the Shareholders as a whole.

The Directors have no present intention to repurchase any Shares but consider that the Refreshed Repurchase Mandate will provide the Company the flexibility to do so when appropriate and beneficial to the Company. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value and/or earnings per Share and will only be made when the Directors consider that such repurchases will benefit the Company and the Shareholders.

4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association, Bye-laws and the Companies Act 1981 of Bermuda (as amended from time to time) (the "Companies Act").

The Companies Act provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the repurchased shares, or the profits that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on redemption may only be paid out of either the profits that would otherwise be available for distribution by way of dividend or out of the share premium or contributed surplus accounts of the Company. Under the Companies Act, the shares so repurchased will be treated as cancelled but the aggregate amount of authorised share capital will not be reduced so that the shares may be subsequently re-issued.

The Directors intend to apply the capital paid up on the relevant Shares or the profits that would otherwise be available for distribution by way of dividend for any repurchases of its Shares.

As compared with the financial position of the Company as at 31 December 2008 (being the date of its latest audited financial statements), the Directors consider that there might be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period. However, the Directors do not propose to exercise the Refreshed Repurchase Mandate to such extent as would, in circumstances, have a material adverse impact on the working capital or gearing ratio of the Company.

5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquires, any of their associates, has any present intention, in the event that the Refreshed Repurchase Mandate is approved by the Shareholders, to sell Shares to any company of the Group.

No connected person of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company, in the event that the Company is authorised to make repurchases of Shares.

6. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules and all applicable laws of Bermuda, and in accordance with the regulations set out in the memorandum of association of the Company and the Bye-laws.

7. EFFECT OF THE TAKEOVERS CODE

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, such increase will be treated as an acquisition for the purpose of the Takeovers Code.

As a result, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, June Glory had an attributable interest of approximately 63.14% in the issued share capital of the Company. In the event that the Directors would exercise in full the power to repurchase Shares pursuant to the Refreshed Repurchase Mandate, the shareholdings of June Glory in the Company would be increased to approximately 70.15% of the issued share capital of the Company and such increase will not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. Save as disclosed aforesaid, the Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases to be made under the Refreshed Repurchase Mandate.

8. GENERAL

There have been no repurchases of any Shares by the Company (whether on the Stock Exchange or otherwise) made in the 6 months preceding the date of this supplemental circular.

During each of the previous 12 months and up to the Latest Practicable Date, the highest and lowest prices at which the Shares were traded on the Stock Exchange were as follows:

	Per Share	
	Highest	**Lowest**
	HK$	*HK$*
2008:		
August	1.153A	0.747A
September	0.953A	0.767A
October	0.847A	0.517A
November	0.713A	0.567A
December	0.827A	0.613A
2009:		
January	0.887A	0.680A
February	0.793A	0.693A
March	0.780A	0.660A
April	0.880A	0.747A
May	1.153A	0.833A
June	1.420	1.100A
July	2.520	1.090
August	2.620	2.220

A: Adjusted

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL OF THE COMPANY

Information about the authorised and issued share capital of the Company are as follows:

Authorised:	*HK$*
2,000,000,000 ordinary shares of HK$0.10 each as at the Latest Practicable Date	200,000,000.00
8,000,000,000 ordinary shares of HK$0.10 each to be increased pursuant to the passing of ordinary resolution no.2 as set out in the notice of SGM	800,000,000.00
	1,000,000,000.00
Issued, and to be issued, as fully paid:	
1,670,747,674 ordinary shares of HK$0.10 each as at the Latest Practicable Date	167,074,767.40
Consideration Shares to be issued as fully paid upon Completion	*(Note)*

Note: The total number of the Consideration Shares to be issued will be determined on the Price Fixing Date. Based on the Maximum Franshion Share Price and the Minimum MML Share Price, the maximum number of Consideration Shares that may be issued under the Acquisition will be up to 808,022,919.

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

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

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be enteredin the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in Shares

Name of Director	Nature of interest	Number of Shares held	Percentage of issued share capital
Ms. He Xiaoli	Personal	30,000	0.0018%

Interests in underlying Shares

Interests in share options of the Company

As at the Latest Practicable Date, the following Directors had interests in the share options granted by the Company under the share option scheme of the Company adopted on 29 May 2003:

Name of Director	Date of grant	Vesting period *(both days inclusive)*	Exercisable period *(both days inclusive)*	Exercise price per Share *HK$*	Number of share options outstanding
Mr. Qian Wenchao	1.12.2008	1.12.2008 to 30.11.2010	1.12.2010 to 30.11.2018	0.45	1,473,333
Mr. He Jianbo	1.12.2008	1.12.2008 to 30.11.2010	1.12.2010 to 30.11.2018	0.45	2,040,000
Mr. Yin Liang	1.12.2008	1.12.2008 to 30.11.2010	1.12.2010 to 30.11.2018	0.45	1,360,000
Mr. Yan Xichuan	1.12.2008	1.12.2008 to 30.11.2010	1.12.2010 to 30.11.2018	0.45	1,360,000
Ms. He Xiaoli	1.12.2008	1.12.2008 to 30.11.2010	1.12.2010 to 30.11.2018	0.45	1,133,333

Note: As a result of the Rights Issue, the exercise price has been adjusted from HK$0.51 per Share to HK$0.45 per Share. These share options are exercisable in three tranches: the maximum percentage of share options exercisable within the periods commencing from 1 December 2010 to 30 November 2018, from 1 December 2011 to 30 November 2018 and from 1 December 2012 to 30 November 2018 are 30%, 30% and 40% respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company hold any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

4. SERVICE CONTRACTS

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

5. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) had any competing interests in a business which competes or is likely to compete with the business of the Enlarged Group.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors has had any direct or indirect interest in any assets which have since 31 December 2008 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Enlarged Group, except that Mr. Tsui Ki Ting, who is a director of 龍建(南京)置業有限公司 (Dragon Construction (Nanjing) Property Co., Ltd) ("DCNP"), was interested in the shareholders' agreement in respect of Oriental Dragon Construction Limited ("ODCL") (the immediate holding company of DCNP) dated 11 April 2006 entered into amongst Karman Industries Limited ("KIL"), Stillpower Limited (both being indirect wholly-owned subsidiaries of the Company), World Ocean Development Limited ("WODL") and ODCL in respect of the transfer of a 29% equity interest in ODCL from KIL to WODL at a total consideration of HK$2,900 and the major terms in respect of the management and operations of ODCL which is the joint venture company of the Laguna Bay Project. As at the Latest Practicable Date, Mr. Tsui Ki Ting had an equity interest of 26.67% in WODL which in turns owned 29% equity interest in ODCL, and the remaining 71% equity interest in ODCL was owned indirectly by the Company.

7. LITIGATION

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

On 8 April 2003 and 16 June 2003, the Company obtained judgment against Mr. Ng and Spirit Sunshine Inc. respectively. The Company also obtained judgment dated 14 January 2004 against Mr. Yu, Mr. Cheung, Turner Overseas Limited and Silver Lake Asia Corporation pursuant to the Company's application for summary judgment. Pursuant to the said judgments, each of the Defendants is required to pay the Company a sum of HK$16,418,527.51 together with accrued interests and costs. The said judgments took effect immediately from their respective dates, and are enforceable by the Company. Mr. Ng was made bankrupt by the High Court of Hong Kong (the "Court") on 20 November 2003. The Company demanded Mr. Yu, Mr. Cheung, Turner Overseas Limited and Silver Lake Asia Corporation to make full payment of the judgment debt on 15 January 2004.

Since no payment has been made by them, the Company filed a petition for a bankruptcy order against Mr. Yu on 15 April 2004, which petition was heard by the Court on 9 June 2004. A bankruptcy order was made against Mr. Yu by the Court on 9 June 2004. The Company filed a proof of debt on 12 July 2004 in the bankruptcy of Mr. Yu. The Company also applied for the examination of Mr. Cheung as to his assets, means and liabilities, and an order for examination was made by the Court on 5 May 2004. Meanwhile, Mr. Cheung filed a petition for a bankruptcy order against himself on 30 October 2004 and a bankruptcy order was made against Mr. Cheung by the Court on 30 November 2004. On 7 April 2005, a proof of debt was filed by the Company in the bankruptcy of Mr. Cheung.

As at the Latest Practicable Date, no payment has been received from any of the Defendants. Furthermore, no receivables on nor provisions for the claims by the Company under this litigation case have been recorded or made by the Company. However, the Directors consider that this litigation case would not have any material impact on the financial position of the Group as a whole.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Enlarged Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

9. EXPERTS

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

Name	**Qualifications**
Access Capital	a licensed corporation to carry out Types 1, 4, 6 and 9 regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

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

(c) As at the Latest Practicable Date, each of Access Capital and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this supplemental circular with the inclusion of its letters, reports and references to its name in the form and context in which they are included. Such letters and reports from Access Capital and PricewaterhouseCoopers are given as of the date of this supplemental circular for incorporation herein.

(d) As at the Latest Practicable Date, each of Access Capital and PricewaterhouseCoopers did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, nor which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

10. MATERIAL CONTRACTS

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

(a) a sale and purchase agreement dated 5 June 2008 and entered into between MLI (as purchaser), Cheemimet Finance Limited ("Cheemimet") (as seller) and Minmetals HK (as seller's guarantor and warrantor) relating to the acquisition of the entire issued share capital of Texion Development Limited ("Texion") and the benefits in the entire shareholder's loan and account payable owing by Texion to Cheemimet which amounted to approximately HK$343,428,032;

(b) a conditional subscription agreement dated 16 September 2008 and entered into amongst ASPF II Theta GmbH (the "Fund"), Add Honour Investments Limited ("MLLSPV") and Ample Hope Investments Limited ("Holdco") (as supplemented by a supplemental agreement dated 16 September 2008 amongst the Fund, MLLSPV and Holdco) in relation to the subscription for 4,853 and 5,146 new shares in Holdco by the Fund and MLLSPV, respectively, and the provision of shareholders' loans in an amount of RMB360,000,000 (approximately HK$411,084,000) and RMB381,800,000 (approximately HK$435,977,000) to Holdco by the Fund and MLLSPV, respectively, for the purpose of raising capital in a total cash amount equivalent to RMB884,800,000 (approximately HK$1,010,353,000) for the participation of Holdco (through Glory Dragon Development Limited ("HKCo"), a wholly-owned subsidiary of Holdco) in the capital expansion of the PRC JV and the formation of a joint venture in the PRC JV between Holdco (through HKCo) and 五礦投資發展有限責任公司 Minmetals Investment & Development Co., Ltd. ("CMID") to undertake the real estate development project in a parcel of land located at No. 188, Mengdu Avenue, Jianye District, Nanjing City, Jiangsu Province, the PRC (the "Land"); the PRC JV was incorporated under the laws of the PRC with limited liability to hold the Land and undertake the real estate development project on the Land. A total amount of RMB884,800,000 (approximately HK$1,010,353,000) has been paid by HKCo in cash as consideration for the acquisition of 98.88% interest of the PRC JV;

(c) a shareholders' agreement dated 16 September 2008 and entered into amongst the Fund, MLLSPV and Holdco, which set out, amongst other things, the major terms in respect of the management and operation of Holdco and its subsidiaries on and after completion of the Subscription Agreement as mentioned in paragraph (b) above;

(d) a joint venture agreement and a capital expansion agreement both dated 22 September 2008 and entered into between HKCo and CMID respectively relating to the establishment of a joint venture (i.e. the PRC JV) to undertake the real estate development project on the Land, pursuant to which HKCo agreed to make contribution to the registered capital of the PRC JV and the PRC JV will change its legal status to become a Sino-foreign equity joint venture company upon completion;

(e) the Acquisition Agreement;

(f) a sale and purchase agreement dated 23 December 2008 and entered into between First Brilliant Holdings Limited (as purchaser) and Fantastic Assets Limited, an indirect wholly-owned subsidiary of the Company (as vendor) relating to the sale and purchase of the entire issued share capital of Jaeger Oil & Chemical Holdings Limited and repayment of the shareholder's loan and the accrued interest thereon (which amounted to approximately HK$1,825,000 as at 30 November 2008) owing from Jaeger Oil & Chemical Holdings Limited and its subsidiaries to the Group, for a total consideration sum of HK$13,880,000;

(g) the First Supplemental Agreement;

(h) the Second Supplemental Agreement;

(i) the underwriting agreement dated 18 May 2009 entered into between the Company and June Glory in relation to the underwriting and certain other arrangements in respect of the Rights Issue;

(j) the irrevocable undertaking dated 18 May 2009 given by June Glory in favour of the Company to, among other things, to take up its full entitlement to the new Shares under the Rights Issue;

(k) the Third Supplemental Agreement; and

(l) the irrevocable undertaking dated 23 July 2009 given by Vendor, Minmetals HK and June Glory in favour of the Company for, among other things, restoration of the Company's public float.

11. MISCELLANEOUS

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

(b) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents of the Enlarged Group are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, except public holidays, up to and including 1 September 2009:

(a) the Acquisition Agreement;

(b) the First Supplemental Agreement;

(c) the Second Supplemental Agreement;

(d) the Third Supplemental Agreement;

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

(f) the material contract referred to in the paragraph headed “Material Contracts” in this appendix;

(g) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this supplemental circular;

(h) the letter of advice from the Independent Financial Advisor, the text of which is set out in the section headed “Letter of Advice from Access Capital” of this supplemental circular;

(i) the accountant’s report on the financial information of Target, the text of which is set out in Appendix I to this supplemental circular;

(j) the accountant’s report on the financial information of the PRC JV, the extract of which is set out in Appendix III to this supplemental circular;

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

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

(m) the annual reports of the Company for the two financial years ended 31 December 2007 and 31 December 2008 respectively; and

(n) the discloseable transaction circular dated 12 January 2009 issued by the Company.

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

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Minmetals Land Limited (the "Company") will be held at Garden Rooms, 2nd Floor, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Tuesday, 1 September 2009 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:-

ORDINARY RESOLUTIONS

1. "THAT

(a) the Acquisition Agreement together with the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement (all as defined and described in the supplemental circular of the Company dated 12 August 2009 and a copy set of which have been produced to this meeting marked "A" and signed by the Chairman of this meeting (this "Meeting") for the purpose of identification) (the "Acquisition Agreement") and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) any of the directors of the Company ("the Directors") be and is/are hereby authorised to do all other acts and things and execute all documents which he/they consider(s) necessary, desirable or expedient for the implementation of and giving effect to the Acquisition Agreement and the transactions contemplated thereunder with any changes as such Director(s) may consider necessary, desirable and expedient;

(c) subject to the passing of the ordinary resolution no. 2 below, the allotment and issue of such number of ordinary shares at par value of HK$0.10 each in the share capital of the Company ("the Consideration Shares") as to be determined in accordance with the terms of the Acquisition Agreement credited as fully paid up to Mountain Trend Global Limited or such person(s) as it may direct pursuant to and in accordance with the Acquisition Agreement be and are hereby approved; and

(d) any of the Directors be and is/are hereby authorised to allot and issue Consideration Shares as contemplated under ordinary resolution no.1(c) above and to take all steps necessary, desirable or expedient in his/their opinion to implement and/or give and/or give effect to the allotment and issue of such shares."

* *For identification purpose only*

2. "THAT

(a) the authorised share capital of the Company be and is hereby increased from HK$200,000,000 divided into 2,000,000,000 ordinary shares of par value of HK$0.10 each (the "Ordinary Shares") to HK$1,000,000,000 divided into 10,000,000,000 Ordinary Shares by the creation of an additional 8,000,000,000 Ordinary Shares ("the Proposed Increase in Authorised Share Capital"); and

(b) any one of the Directors be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Proposed Increase in Authorised Share Capital."

3. "THAT

(a) the general mandate granted to the directors to exercise the power to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, as approved by the shareholders of the Company at the annual general meeting of the Company held on 26 May 2009 be and is hereby revoked (but without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);

(b) subject to paragraph (d) below, the exercise by the directors during the Relevant Period (as defined in paragraph (e) below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(c) the approval in paragraph (b) above shall authorise the directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(d) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors pursuant to the approval in paragraphs (b) and (c) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (e) below) or (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company, shall not exceed the aggregate of (aa) 20% of the total nominal amount of the share capital of the Company in issue on the date of the passing of this resolution plus (bb) (if the directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of the share capital of the Company repurchased by the Company subsequent to the passing of such resolution (up to a maximum amount equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution) and the said approval to the directors in paragraphs (b) and (c) above shall be limited accordingly; and

(e) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

(iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of shares or other securities open for a period fixed by the directors to the shareholders on the register on a fixed record date in proportion to their shareholdings as at that date (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any recognised regulatory body or any stock exchange)."

4. "THAT

(a) the general mandate granted to the directors to exercise the power to repurchase its own shares, as approved by the shareholders of the Company at the annual general meeting of the Company held on 26 May 2009 be and is hereby revoked (but without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);

(b) subject to paragraph (d) below, the exercise by the directors during the Relevant Period (as defined in paragraph (e) below) of all the powers of the Company to repurchase its own shares (including redeemable shares) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or the listing rules of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(c) the approval in paragraph (b) above shall authorise the directors during the Relevant Period to procure the Company to repurchase its own shares at a price determined by the directors;

(d) the aggregate nominal amount of share capital repurchased by the Company pursuant to paragraph (b) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of the passing of this resolution and the said approval to the directors in paragraphs (b) and (c) above shall be limited accordingly;

(e) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

(iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting."

5. "THAT conditional upon the passing of ordinary resolutions nos. 3 and 4 above, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in ordinary resolution no. 4 above shall be added to the aggregate nominal amount of share capital that may be allotted by the directors pursuant to ordinary resolution no. 3 above, provided that the amount of share capital repurchased by the Company shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of the passing of this resolution."

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

Hong Kong, 12 August 2009

Notes:

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

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

3. The register of members of the Company will be closed from Thursday, 27 August 2009 to Tuesday, 1 September 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the abovementioned meeting, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 26 August 2009.

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