THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

五礦地產有限公司
MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTIONS IN RELATION TO (I) ACQUISITION OF 49% EQUITY INTERESTS IN TIANJIN YIJIAHE; (II) CAPITAL INJECTION IN MINMETALS LAND HUNAN; (2) CONTINUING CONNECTED TRANSACTIONS; AND (3) NOTICE OF SPECIAL GENERAL MEETING

Sole Financial Adviser to the Company

BNP PARIBAS

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

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 8 to 40 of this circular. A letter from the Independent Board Committee is set out on pages 41 to 42 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 43 to 95 of this circular.

A notice convening the SGM to be held at Monet Room B, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 7 August 2020 at 10:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 10:30 a.m. on Wednesday, 5 August 2020. 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.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Please see page 1 of this circular for precautionary measures being taken to prevent and control the spread of the novel coronavirus (COVID-19) at the SGM, including:

- compulsory body temperature check
- wearing of surgical face mask
- no provision of refreshments, drinks or corporate gifts

Attendees who do not comply with the above precautionary measures may be denied entry into the SGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy and to return their proxy forms by the time specified above, instead of attending the SGM in person.

21 July 2020

CONTENTS

In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

(i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.3 degrees Celsius or is exhibiting flu-like symptoms may be denied entry into the SGM venue and be requested to leave the SGM venue.

(ii) Every attendee will be required to wear surgical face masks before they are permitted to attend, and throughout their attendance of, the SGM. Please note that no masks will be provided at the SGM venue. Attendees are advised to maintain appropriate social distance with each other at all times when attending the SGM.

(iii) No refreshments or drinks will be served and no corporate gifts will be distributed.

Attendees who do not comply with the above precautionary measures may be denied entry into the SGM venue, at the absolute discretion of the Company as permitted by law. Attendees are in addition requested to observe and practise good personal hygiene at all times.

For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the Chairman of the SGM as their proxy instead of attending the SGM in person.

The form of proxy were despatched to Shareholders and can otherwise be downloaded from the respective websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.minmetalsland.com). In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible, and in any event not later than 10:30 a.m. on Wednesday, 5 August 2020.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the SGM arrangements at short notice. Shareholders should check the Company's website at www.minmetalsland.com for further announcements and updates on the SGM arrangements.

If Shareholders have any questions relating to the SGM, please contact the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited:

17M Floor, Hopewell Centre
183 Queen's Road East Wanchai, Hong Kong
Telephone : (852) 2862 8555
Facsimile : (852) 2865 0990
Email : hkinfo@computershare.com.hk

In this circular, the following expressions shall have the respective meanings set opposite thereto unless the context requires otherwise:

"2020 Framework Agreement"	the agreement dated 17 April 2020 entered into by the Company and China Minmetals in relation to the engagement of member(s) of the China Minmetals Group as construction contractor(s) (subject to successful tender) in respect of the Group's existing and future real estate development projects in Mainland China and Hong Kong for the three years from 19 April 2020 to 18 April 2023;
"23rd Metallurgical"	五礦二十三冶建設集團有限公司 The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals*, a company established under the laws of the PRC with limited liability, is an indirect 88.4%-owned subsidiary of China Minmetals and the holder of 100% of the equity interests of Minmetals Land Hunan as at the Latest Practicable Date;
"23rd Metallurgical Group"	23rd Metallurgical and its subsidiaries other than Minmetals Land Hunan Group;
"Acquisition"	the acquisition of the Sale Interests by Minmetals Shengshi from the Vendor pursuant to the Equity Transfer Agreement;
"Acquisition Completion Agreement"	a completion agreement to be entered into between Minmetals Shengshi and the Vendor to record the completion of the Acquisition;
"associate(s)", connected person", "controlling shareholder", "percentage ratio" and "subsidiary"	each shall have the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Capital Injection"	the injection of RMB1,327.32 million (approximately HK$1,457.66 million) by Minmetals Shengshi into Minmetals Land Hunan pursuant to the Capital Injection Agreement;
"Capital Injection Agreement"	the conditional capital injection agreement dated 18 June 2020 entered into between 23rd Metallurgical, Minmetals Shengshi and Minmetals Land Hunan in relation to the Capital Injection;
"Capital Injection Completion Agreement"	a completion agreement to be entered into between Minmetals Shengshi and 23rd Metallurgical to record the completion of the Capital Injection;

"China Minmetals"	China Minmetals Corporation, a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company as at the Latest Practicable Date;
"China Minmetals Group"	China Minmetals and its subsidiaries other than the Group;
"Company"	Minmetals Land Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange;
"Director(s)"	Director(s) (including independent non-executive director(s)) of the Company;
"Enlarged Group"	the Group as enlarged by the Transactions;
"Equity Transfer Agreement"	the conditional equity transfer agreement dated 18 June 2020 entered into between Minmetals Shengshi and the Vendor in relation to the Acquisition;
"Existing Property Management Services Agreements"	existing property management services agreements entered into by Minmetals Property Service Hunan with 23rd Metallurgical and Hunan Dongrun as more particularly described and defined in the paragraph headed "Connected transactions following completion of the Capital Injection — Property management services — Existing Property Management Services Agreements" in this circular;
"First Installment Conditions"	has the meaning ascribed to it in the paragraph headed "Capital Injection Agreement — Capital injection amount" in this circular;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKFRS"	Hong Kong Financial Reporting Standard;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hunan Dongrun"	湖南東潤房地產開發有限責任公司 Hunan Dongrun Property Development Co., Ltd.*, a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of Minmetals Land Hunan as at the Latest Practicable Date, which will be disposed by way of distribution to 23rd Metallurgical at nil consideration before completion of the Capital Injection;

"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, which has been formed by the Board to advise the Independent Shareholders in respect of the Equity Transfer Agreement, the Capital Injection Agreement and the transactions contemplated thereunder;
"Independent Shareholders"	Shareholder(s) other than June Glory and its associates, and any Shareholder who has a material interest in the Transactions;
"June Glory"	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability and the immediate controlling shareholder of the Company holding approximately 61.88% of the issued share capital of the Company as at the Latest Practicable Date;
"JV Partner"	北京遠坤房地產開發有限公司 Beijing Yuankun Real Estate Development Company, Limited, a company established under the laws of the PRC with limited liability and the holder of 51% of the equity interests of Tianjin Yijiahe as at the Latest Practicable Date;
"Latest Practicable Date"	15 July 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
"Mainland China" or "PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan);
"Minmetals Laiwu"	五礦地產(萊蕪)開發有限公司 Minmetals Land (Laiwu) Development Co., Ltd.*, a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of Minmetals Land Hunan prior to its disposal in March 2020;
"Minmetals Land Hunan"	五礦地產湖南開發有限公司 Minmetals Land Hunan Development Co., Ltd.*, a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of 23rd Metallurgical as at the Latest Practicable Date;
"Minmetals Land Hunan Group"	Minmetals Land Hunan and its subsidiaries;

"Minmetals Land Hunan Target Group"	has the meaning ascribed to it in the management discussion and analysis of Minmetals Land Hunan Group section as set out in Appendix IIIB to this circular;
"Minmetals Properties Service Hunan"	五礦物業服務(湖南)有限公司 Minmetals Properties Service (Hunan) Co., Ltd.*, a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of Minmetals Land Hunan;
"Minmetals Shengshi"	五礦盛世廣業(北京)有限公司 Minmetals Shengshi Guangye (Beijing) Co., Ltd.*, a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
"Neo-Metropolis"	the Neo-Metropolis development project (未來城項目), a mega scale residential estate development project undertaken by Tianjin Yijiahe in Bei Chen District, Tianjin, PRC;
"Resettlement Agreement"	the agreement dated 8 March 2007 entered into between the Yixingbu Government and Tianjin Yijiahe (as supplemented by the agreement entered into among, Tianjin Yijiahe, the Yixingbu Government and the Bei Chen District People's Government of Tianjin dated 15 July 2016) in relation to the resettlement of residents in Yixingbu Land at the Resettlement Costs payable by Tianjin Yijiahe to Yixingbu Government;
"Resettlement Costs"	an amount not exceeding RMB14,900 million;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Interests"	49% of the equity interests of Tianjin Yijiahe;
"SAMR"	the State Administration for Market Regulation of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	a special general meeting of the Company to be convened to consider and approve the Transactions;
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares;
"Shareholders' Agreement"	the shareholders' agreement to be entered into between Minmetals Shengshi and the JV Partner in relation to Tianjin Yijiahe;

"Somerley"	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Capital Injection Agreement and the transactions contemplated thereunder;
"sq.m."	square meters;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Tianjin Yijiahe"	天津市億嘉合置業有限公司 Tianjin Yijiahe Real Estate Company Limited*, a company established under the laws of the PRC with limited liability and directly owned as to 49% by the Vendor and 51% by the JV Partner as at the Latest Practicable Date;
"Transactions"	collectively, the Acquisition and the Capital Injection;
"US$"	United States dollar, the lawful currency of the United States;
"Vendor"	五礦置業有限公司 Minmetals Real Estate Co., Ltd.*, a company established under the laws of the PRC with limited liability, is an indirect 88.4%-owned subsidiary of China Minmetals and the holder of 49% of the equity interest of Tianjin Yijiahe as at the Latest Practicable Date;
"Vigers"	Vigers Appraisal and Consulting Limited, independent professional property valuers;
"Yixingbu Government"	People's Government of Yixingbu Town of Bei Chen District of Tianjin;

"Yixingbu Land"	Yixingbu Town Old Village located at Yixingbu Town Bei Chen District, Tianjin, PRC, which constitutes part of the Neo-Metropolis development project to be developed by Tianjin Yijiahe; and
"%"	per cent.

For the purpose of illustration only and unless otherwise stated, conversion of RMB to Hong Kong dollars in this circular is calculated at the exchange rate of RMB1.00 to HK$1.0982. Such conversion rate should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

* *For identification purpose only*

五礦地產有限公司
MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

Executive Directors:
Mr. He Jianbo, *Chairman*
Mr. Liu Bo, *Managing Director*
Mr. Chen Xingwu, *Deputy Managing Director*
Mr. Yang Shangping, *Deputy Managing Director*

Non-executive Director:
Ms. He Xiaoli

Independent Non-executive Directors:
Mr. Selwyn Mar
Mr. Lam Chung Lun, Billy
Ms. Law Fan Chiu Fun, Fanny

Registered office:
Victoria Place
5th Floor, 31 Victoria Street
Hamilton HM10
Bermuda

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

21 July 2020

To the Shareholders

Dear Sir or Madam,

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTIONS IN RELATION TO (I) ACQUISITION OF 49% EQUITY INTERESTS IN TIANJIN YIJIAHE; (II) CAPITAL INJECTION IN MINMETALS LAND HUNAN; (2) CONTINUING CONNECTED TRANSACTIONS; AND (3) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 18 June 2020 in relation to, among other things, the Transactions.

The purpose of this circular is to provide you with, among other things, further particulars of (i) the Acquisition; and (ii) the Capital Injection.

(I) THE ACQUISITION

On 18 June 2020 (after trading hours), Minmetals Shengshi (being an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell, and Minmetals Shengshi has conditionally agreed to acquire, the Sale Interests (representing 49% of and the entire equity interest held by the Vendor in Tianjin Yijiahe) at a consideration of RMB1,475.45 million (approximately HK$1,620.34 million).

EQUITY TRANSFER AGREEMENT

Date

18 June 2020

Parties

(1) Minmetals Shengshi (an indirect wholly-owned subsidiary of the Company); and

(2) the Vendor (an indirect 88.4%-owned subsidiary of China Minmetals).

Subject matter

The Vendor has conditionally agreed to sell, and Minmetals Shengshi has conditionally agreed to acquire, the Sale Interests (representing 49% of and the entire equity interest held by the Vendor in Tianjin Yijiahe).

Consideration

The consideration for the Sale Interests is RMB1,475.45 million (approximately HK$1,620.34 million), which is determined based on arm's length negotiations between the parties with reference to 49% of the adjusted net asset value of Tianjin Yijiahe of approximately RMB1,526.95 million (approximately HK$1,676.90 million). The consideration represents a discount of approximately 3.4% to the adjusted net asset value attributable to the Sale Interests as at 30 April 2020.

Below is a reconciliation of 49% of the net asset value of Tianjin Yijiahe:

	RMB million
49% of the audited negative net asset value of Tianjin Yijiahe as at 30 April 2020	(502.64)
Fair value adjustment of 49% of the inventories of Tianjin Yijiahe as at 30 April 2020*[(1)]	2,706.12
Deferred tax associated with the fair value adjustment[(1)]	(676.53)
49% of the adjusted net asset value of Tianjin Yijiahe as at 30 April 2020	1,526.95

* Represents the surplus of the valuation of the property development project held by Tianjin Yijiahe by Vigers, an independent valuer, as at 30 April 2020 over the audited book value of the property development project.

(1) The adjustments are extracted from Note (5) of "2. Notes to the pro forma adjustments" as set out in the unaudited pro forma financial information of the Enlarged Group under Appendix IV to this circular.

In respect of the valuation of the property development project held by Tianjin Yijiahe, Vigers has made reference to the sale transaction records with due regard to the construction cost and associated expenses incurred as of the Date of Valuation (as defined in the valuation report set out in Appendix V to this circular), which are directly relevant to the valuation of the property development project held by Tianjin Yijiahe. As confirmed by Vigers, the valuation assumptions adopted by them for the valuation of the property development project held by Tianjin Yijiahe, details of which are set out in the paragraph headed "Valuation Assumption" in the valuation report set out in Appendix V to this circular, are commonly adopted for valuation and are also consistent with normal market practice. Having considered the above and after discussions with Vigers, the Directors consider such valuation assumptions to be fair and reasonable.

The valuation adjustments and assumptions, details of which are set out in Note (5) of "2. Notes to the pro forma adjustments" in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, is with reference to (i) the book values of the relevant property interest(s) which were extracted from the audited financial statements of Tianjin Yijiahe; (ii) the market values of the relevant property interest(s) as set out in the valuation report in Appendix V to this circular which the Directors consider the valuation assumptions to be fair and reasonable; (iii) the estimated deferred tax associated with the fair value adjustment, which was estimated in accordance with the Company's accounting policies including potential PRC corporate income tax and land appreciation tax; and (iv) the calculation of the applicable impact proportionate to the interests subject to the Acquisition. The Company has engaged the reporting accountants to report on the unaudited pro forma financial information and the reporting accountants are of the view that, among other things, the basis of preparing the unaudited pro forma financial information is consistent with the accounting policies of the Group and the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29 of the Listing Rules.

Having considered (i) that the reconciliation was made based on information from the audited financial statements of Tianjin Yijiahe, and information from the independent valuations considered appropriate to refer to for assessing the fairness of the consideration of the Acquisition; (ii) that the adjustments were made in accordance with the Company's accounting policies; and (iii) the opinion from the Company's reporting accountants on the unaudited pro forma financial information as set out in Appendix IV to this circular, the Directors consider such valuation adjustments and assumptions to be fair and reasonable.

The consideration shall be paid by Minmetals Shengshi to the Vendor in the following manner:

(1) a sum of approximately RMB737.73 million (approximately HK$810.17 million) shall be paid within 15 business days after the conditions set out below have been satisfied:

   (a) all the conditions precedent to the Equity Transfer Agreement having been fulfilled (details of which are set out in the section headed "Conditions precedent" below);

   (b) the constitutional document(s) of Tianjin Yijiahe having been duly executed by Minmetals Shengshi and the JV Partner;

   (c) the Shareholders' Agreement in respect of Tianjin Yijiahe having been duly executed by Minmetals Shengshi and the JV Partner and having taken effect;

   (d) the Acquisition Completion Agreement having been entered into between the parties upon completion of all the necessary completion procedures in respect of the Acquisition; and

   (e) all persons nominated by Minmetals Shengshi pursuant to the Equity Transfer Agreement having been elected or appointed as directors, supervisors and senior management of Tianjin Yijiahe (as the case may be) and all relevant registration and filings having been made with the SAMR upon completion of all relevant equity transfer registration with the SAMR.

(2) the remaining balance of approximately RMB737.73 million (approximately HK$810.17 million) shall be paid in two equal installments on 30 September 2021 and 2022, respectively.

The consideration shall be satisfied by internal financial resources of the Group or bank borrowings, and the Group has no immediate plan to carry out any equity fund raising exercise.

Upon payment of the first installment of the consideration, the Vendor shall repay the outstanding loan (if any) due to Tianjin Yijiahe, and Tianjin Yijiahe shall extend a loan to Minmetals Shengshi on a pro-rated basis with the loan then extended by Tianjin Yijiahe to its other shareholder.

Conditions precedent

Completion of the Acquisition is subject to and conditional upon the following conditions having been fulfilled:

(a) all necessary approvals and consents required from all relevant PRC governmental authorities and any other third party as may be necessary to give effect to the transactions contemplated under the Equity Transfer Agreement having been obtained;

(b) the JV Partner having waived its pre-emptive right in relation to the Sale Interests;

(c) the Independent Shareholders having approved the Equity Transfer Agreement and the Acquisition;

(d) all the conditions precedent to the Capital Injection Agreement having been fulfilled;

(e) all the representations and warranties given by the Vendor in the Equity Transfer Agreement remaining true, accurate, complete and not misleading in all material aspects as at completion of the Acquisition; and

(f) Tianjin Yijiahe has not and shall not commit any material violations of relevant laws and/or regulations.

None of the conditions precedent may be waived in any event.

As at the Latest Practicable Date, condition (b) above has been fulfilled.

Compensation

In the event Tianjin Yijiahe is unable to, among other things, complete the acceptance examination and obtain the outstanding real estate title certificate in respect of a commercial house and obtain the land use rights certificates in respect of certain land parcel(s) within Neo-Metropolis, Minmetals Shengshi can demand compensation from the Vendor. For further details, refer to the paragraph headed "Further Information on Tianjin Yijiahe — Resettlement work of Tianjin Yijiahe" below.

Completion

Pursuant to the Equity Transfer Agreement, Minmetals Shengshi shall work with the Vendor to complete the equity transfer registration with the SAMR within 15 business days after fulfillment of all the conditions precedent to the Equity Transfer Agreement. Upon completion of all necessary completion procedures, the parties shall enter into the Acquisition Completion Agreement. The completion date of the Acquisition shall be the day on which the equity transfer registration with the SAMR has been completed.

Upon completion of the Acquisition, Tianjin Yijiahe will be indirectly owned by the Company as to 49% of its equity interest and its financial results will be accounted for as an investment in an associate under equity method and will not be consolidated into the financial statements of the Group.

Pursuant to the Equity Transfer Agreement, the Vendor shall ensure that during the period between 30 April 2020 and the completion of the Acquisition, Tianjin Yijiahe shall not declare nor distribute any dividend without Minmetals Shengshi's written consent and that there are no material changes in Tianjin Yijiahe's financial position.

SHAREHOLDERS' AGREEMENT

Incidental to completion of the Acquisition, Minmetals Shengshi and the JV Partner shall enter into the Shareholders' Agreement setting out the terms of the operations of Tianjin Yijiahe, including:

Board composition

The board of directors of Tianjin Yijiahe shall consist of five directors, of which two shall be nominated by Minmetals Shengshi and three shall be nominated by the JV Partner. The chairman of the board of directors of Tianjin Yijiahe shall be a director nominated by Minmetals Shengshi. In addition, each of Minmetals Shengshi and the JV Partner shall nominate a supervisor of Tianjin Yijiahe.

Funding

Tianjin Yijiahe will finance its operation as required firstly by bank borrowings based on its own assets, failing which and subject to the agreement of Minmetals Shengshi and the JV Partner, by shareholders' loan from Minmetals Shengshi and the JV Partner on a pro-rata basis.

Restriction on transfer of equity interest

Except with the written consent of the other shareholder, none of the shareholders of Tianjin Yijiahe shall sell, transfer or otherwise dispose of any of its equity interest in Tianjin Yijiahe other than to the other shareholder.

Each party shall have a right of first offer to acquire the equity interests in Tianjin Yijiahe to be sold by the other party in accordance with the Shareholders' Agreement.

INFORMATION ON THE PARTIES

The Group and Minmetals Shengshi

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

Minmetals Shengshi is an indirect wholly-owned subsidiary of the Company principally engaged in investment holding.

The Vendor

The Vendor is an indirect 88.4%-owned subsidiary of China Minmetals principally engaged in real estate development and operation, construction, property management, real estate agency, real estate advertising and exhibition and other real estate related business.

China Minmetals

China Minmetals is a state-owned enterprise in the PRC and the ultimate controlling shareholder of the Company. It is principally engaged in the business of exploration, mining, smelting, processing and trading for metals and minerals, finance, real estate, and mining and metallurgic technology.

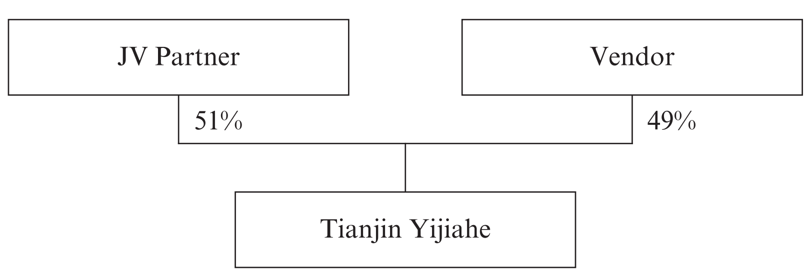
The JV Partner

The JV Partner was established under the laws of the PRC with limited liability and is the holder of 51% of the equity interests of Tianjin Yijiahe as at the Latest Practicable Date. The JV Partner is principally engaged in property development in the PRC and is a wholly-owned subsidiary of Sino-Ocean Group Holding Limited (stock code: 3377), which in turn is principally engaged in investment holding, property development and property investment in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, both the JV Partner and Sino-Ocean Group Holding Limited are third parties independent of the Company and its connected persons.

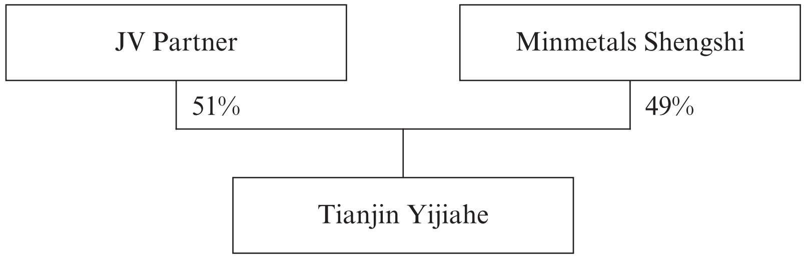
Tianjin Yijiahe

Tianjin Yijiahe was established under the laws of the PRC with limited liability and is principally engaged in development of a mega scale residential estate, namely Neo-Metropolis, in Tianjin, PRC. As at the Latest Practicable Date, Tianjin Yijiahe is directly owned as to 49% by the Vendor and as to 51% by the JV Partner and has a fully paid up registered capital of RMB80,000,000. The Vendor's interest in Tianjin Yijiahe is managed by the Group pursuant to certain entrusted management agreements entered into between the Group and the China Minmetals Group. For further details on such arrangements, please refer to the paragraph headed "Reasons for and benefits of the Transactions — To reinforce the Company's position as the primary listed platform of China Minmetals Group for its property development business" below.

A shareholding structure chart of Tianjin Yijiahe immediately before completion of the Acquisition is set out below:



A shareholding structure chart of Tianjin Yijiahe immediately after completion of the Acquisition is set out below:



FURTHER INFORMATION ON TIANJIN YIJIAHE

Property project of Tianjin Yijiahe

As at the Latest Practicable Date, the property interest of Tianjin Yijiahe comprised solely its interest in Neo-Metropolis, a mega scale residential estate development project undertaken by Tianjin Yijiahe located in Bei Chen District, Tianjin, PRC. Neo-Metropolis is highly accessible as it is close to the Beijing-Tianjin-Tangshan expressway and is also accessible by 2 subway lines, of which 4 subway stops are located in Neo-Metropolis. It occupies a total site area of approximately 1.12 million sq.m., in which it is expected to provide a total gross floor area of approximately 2.04 million sq.m.. As at 30 April 2020, the gross floor area of the remaining land bank of the entire project is approximately 1.81 million sq.m.. It is intended to be developed into various medium and high-rise residential buildings with ancillary commercial portion and basement carparks. The ancillary commercial portion will comprise a low-rise community shopping arcade as well as retail and commercial podium.

The construction of the Neo-Metropolis project commenced in November 2012 with pre-sales beginning in the first quarter of 2013 and the development is carried out in phases with the construction of the whole project expected to be completed in 2027. In 2019, this project achieved a total contracted sales of approximately RMB3,846.52 million (approximately HK$4,224.25 million) whilst the gross floor area contracted for sale was 185,259 sq.m. with an average selling price ("**ASP**") of RMB20,763 (approximately HK$22,802) per sq.m.. For the 4 months ended 30 April 2020, this project achieved a total contracted sales of approximately RMB800.69 million (approximately HK$879.32 million) whilst the gross floor area contracted for sale was 40,002 sq.m. with an ASP of RMB20,016 (approximately HK$21,982) per sq.m..

It is expected that for the coming 12 months, the development costs for Neo-Metropolis will be approximately RMB3,900 million (approximately HK$4,283 million), which will be financed by sales proceeds and bank borrowings.

Tianjin Yijiahe's property project as at 30 April 2020 (subject to the Acquisition)

						Land bank (based on 100% basis)				Financial year
Project	Project address	Property type[1]	Tianjin Yijiahe's shareholding	Total site area (in sq.m.)[2]	Total gross floor area (in sq.m.)[2, 3]	Completed unsold and sold but undelivered gross floor area (in sq.m.)[4] (a)	Gross floor area under construction (in sq.m.)[4] (b)	Planned gross floor area[2] (in sq.m.) (c)	Total land bank (in sq.m.) (a+b+c)	ended 31 December 2019 ("FY2019") contracted sales ASP (per sq.m.)
天津未來城 Neo-Metropolis	Bei Chen District, Tianjin, the PRC	R+C	100%	1,115,476	2,042,750	—	723,717	1,090,111	1,813,828	RMB20,763 (approximately HK$22,802)

Notes:

(1) Property type includes residential ("R") and commercial ("C").

(2) A total site area of 584,237 sq.m. with a corresponding total gross floor area of 1,090,111 sq.m. is pending land use rights.

(3) The total gross floor area represents floor area that is accountable for plot ratio calculation, excluding floor area such as air defence basement and basement car parking space, and also represents the maximum total gross floor area permitted under the agreement dated 14 November 2007 entered into between Tianjin Yijiahe and the Tianjin Municipal Administration of State Land, Resources and Housing (天津市國土資源和房屋管理局) supplemental to the land use rights contract in respect of Neo-Metropolis dated 18 October 2004 with reference to the total site area of 1,115,476 sq.m..

(4) The properties referred to here are only those properties with full legal titles available for sale. Accordingly, completed unsold property with gross floor area of approximately 2,953 sq.m, being a commercial house where the real estate title certificate is still pending, and completed unsold and sold but undelivered property and/or property under construction comprising of 7,172 car parking space, where no full legal titles can be obtained and Tianjin Yijiahe will only have the right to use and lease, will not be included.

The following table sets forth the breakdown of land bank (including land pending land use rights certificates, on 100% basis) by property type as at 30 April 2020:

Type	**Land bank** *(in sq.m.)*	**Percentage**
Residential	1,445,061	79.7%
Ancillary commercial	368,767	20.3%
Total	1,813,828	100.0%

Financial information of Tianjin Yijiahe

Set out below are the financial information of Tianjin Yijiahe based on the audited financial statements of Tianjin Yijiahe for the two years ended 31 December 2018 and 2019 prepared under the HKFRS and the same accounting policies of the Group:

	For the year ended 31 December	
	2018 (audited)	**2019 (audited)**
Revenue	RMB53.35 million (approximately HK$58.59 million)	RMB78.93 million (approximately HK$86.68 million)
Loss before tax	RMB445.08 million (approximately HK$488.79 million)	RMB177.77 million (approximately HK$195.23 million)
Loss after tax	RMB440.02 million (approximately HK$483.23 million)	RMB198.64 million (approximately HK$218.15 million)

The audited negative net assets value of Tianjin Yijiahe as at 30 April 2020 was RMB1,025.79 million (approximately HK$1,126.52 million). Information about the management discussion and analysis of Tianjin Yijiahe is set out in Appendix IIIA to this circular.

As of 30 April 2020, Tianjin Yijiahe's property project was still at an early stage of its development cycle, whereby approximately 89% of its total gross floor areas was not completed and delivered to property buyers. The contract liabilities arising from sales of properties was RMB6,417.75 million (approximately HK$7,047.97 million) as of 30 April 2020. Such amount represented the considerations received in advance from sales of properties to customers and would not be recognised as revenue until the relevant properties were delivered to the customers.

The original acquisition cost of the Sale Interests of Tianjin Yijiahe by the Vendor was RMB1,176.40 million (approximately HK$1,291.92 million).

Resettlement work of Tianjin Yijiahe

Neo-Metropolis is a mega scale resettlement project with a total gross floor area of approximately 2.04 million sq.m. and land titles are to be obtained in phases. As at 30 April 2020, Tianjin Yijiahe obtained land use rights for a total gross floor area of 952,639 sq.m., representing 46.6% by total gross floor area. Out of the project's total site area of 1,115,476 sq.m., 584,237 sq.m. with a corresponding 1,090,111 sq.m. gross floor area was still pending land use rights as of 30 April 2020.

Pursuant to the Equity Transfer Agreement, if after final payment of the consideration, the land use rights certificates of land within Neo-Metropolis with an aggregate site area exceeding 2,000 sq.m. remains outstanding, Minmetals Shengshi can demand compensation from the Vendor in the following manner:

$$\frac{A}{B} \times C$$

where "A" equals the total aggregate site area of land within Neo-Metropolis which the land use rights certificates remain outstanding; "B" equals the total aggregate site area of Neo-Metropolis; and "C" equals the consideration of the Acquisition.

Pursuant to the Equity Transfer Agreement, Minmetals Shengshi can also demand compensation from the Vendor for an amount equivalent to any loss suffered by Tianjin Yijiahe and Minmetals Shengshi if Tianjin Yijiahe fails to complete the acceptance examination and obtain the real estate title certificate of a commercial house within Neo-Metropolis upon completion of the Neo-Metropolis project.

Taking into account the compensation amount, the Directors (including the independent non-executive Directors having considered the views of Somerley) are of the view that the terms of the compensation clauses in the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the Resettlement Agreement between Tianjin Yijiahe and the Yixingbu Government dated 8 March 2007 (as supplemented by the agreement entered into among Tianjin Yijiahe, the Yixingbu Government and the Bei Chen District People's Government of Tianjin dated 15 July 2016), the Yixingbu Government shall be responsible for the resettlement works in respect of the Yixingbu Land, being the Yixingbu Town Old Village located at Yixingbu Town, Bei Chen District, Tianjin, PRC constituting part of the Neo-Metropolis to be developed by Tianjin Yijiahe, such resettlement works comprising mainly of the construction of resettlement houses for and the provision of monetary compensation to the residents to be relocated from the Yixingbu Land. Tianjin Yijiahe shall cooperate with the Yixingbu Government and participate in the construction of resettlement houses, and pay the Resettlement Costs to the Yixingbu Government in relation to the resettlement works, which will be settled by stages based on the progress of obtaining the land use rights certificate for certain parcels of land pursuant to the Resettlement Agreement. The Bei Chen District People's Government of Tianjin shall be responsible for the overall supervision of the resettlement works and liaising with the relevant authorities in respect of such works. Upon completion of the resettlement works, Tianjin Yijiahe shall have obtained the land use rights to Yixingbu Land, and the Yixingbu Government shall assist Tianjin Yijiahe with liaising with the relevant government departments to obtain the land use rights certificates.

The resettlement works were originally intended to be completed by 31 December 2020 whereupon the Resettlement Costs will have to be settled. It is expected that the Resettlement Costs will not exceed RMB14,900 million in total. The amount of Resettlement Costs to be borne by Tianjin Yijiahe will not exceed RMB14,900 million and any excess amount shall be borne by the Yixingbu Government in accordance with the Resettlement Agreement. The Directors believe that in the event Tianjin Yijiahe is required to pay the full Resettlement Costs by 31 December 2020, Tianjin Yijiahe will be capable of funding the Resettlement Costs by internal resources and third party nonrecourse funding.

As mentioned above, the Resettlement Costs will be settled based on the progress of obtaining the land use rights certificate, which in turn is based on the progress of the resettlement work. Tianjin Yijiahe works closely with Yixingbu Government in managing the resettlement work and based on the latest progress of the resettlement work, the Directors believe that the probability of having to settle the Resettlement Costs by 31 December 2020 is minimal and expects that there will be a 3 to 5 years delay in completion of the resettlement works, and accordingly, the Resettlement Costs will be settled fully by 2025.

As at 30 April 2020, an aggregate of approximately RMB5,900 million Resettlement Costs has been paid and recognised as inventories over the course of 7 years since the project commenced development in November 2012, which was funded by the internal resources and third party nonrecourse funding from Tianjin Yijiahe, and more than 99% of the residing residents in the Yixingbu Land have been relocated. Approximately 21% of the resettlement houses have been completed in construction in terms of total gross floor area. The Directors are of the opinion that the resettlement works will be completed by 2023 to 2025. The outstanding RMB9,000 million Resettlement Costs was deducted in the market value of Neo-Metropolis as stated in the valuation report as set out in Appendix V to this circular in determining the consideration of the Acquisition.

(II) THE CAPITAL INJECTION

On 18 June 2020 (after trading hours), Minmetals Shengshi entered into the Capital Injection Agreement with Minmetals Land Hunan and 23rd Metallurgical pursuant to which Minmetals Shengshi has conditionally agreed to inject RMB1,327.32 million (approximately HK$1,457.66 million) into Minmetals Land Hunan.

CAPITAL INJECTION AGREEMENT

Date

18 June 2020

Parties

(1) Minmetals Shengshi (an indirect wholly-owned subsidiary of the Company);

(2) 23rd Metallurgical (an indirect 88.4%-owned subsidiary of China Minmetals); and

(3) Minmetals Land Hunan (an indirect 88.4%-owned subsidiary of China Minmetals).

Subject matter

Minmetals Shengshi has conditionally agreed to inject RMB1,327.32 million (approximately HK$1,457.66 million) into Minmetals Land Hunan.

Capital injection amount

The Capital Injection of RMB1,327.32 million (approximately HK$1,457.66 million) is determined based on arm's length negotiations between the parties with reference to 51% of the adjusted net asset value attributable to owners of Minmetals Land Hunan (after taking in account the proceeds of the Capital Injection) of approximately RMB1,486.63 million (approximately HK$1,632.62 million). The capital injection amount represents a discount of approximately 10.7% to the adjusted net asset value attributable to 51% of the equity interests of Minmetals Land Hunan Target Group as at 30 April 2020 and after taking into account the proceeds from the Capital Injection.

Below is a reconciliation of the adjusted net asset value of Minmetals Land Hunan:

	RMB million
Audited net asset value attributable to owners of Minmetals Land Hunan as at 30 April 2020	1,343.88
Proceeds from the Capital Injection	1,327.32
Distribution of Hunan Dongrun[(1)]	(515.72)
Fair value adjustment of inventories of Minmetals Land Hunan Target Group*[(2)]	970.30
Deferred tax associated with the fair value adjustment of the inventories of Minmetals Land Hunan Target Group[(3)]	(377.40)
Fair value and deferred tax adjustment on the investment in an associate[(4)]	126.47
Fair value adjustment on non-controlling interest[(5)]	40.11
Adjusted net asset value attributable to owners of Minmetals Land Hunan as at 30 April 2020	2,914.96
51% of the adjusted net asset value attributable to owners of Minmetals Land Hunan as at 30 April 2020	1,486.63

* Represents the surplus of the valuation of the property development projects held by Minmetals Land Hunan Target Group by Vigers, independent professional property valuers, as at 30 April 2020 over the audited book value of the property development projects.

(1) This adjustment represents the disposal of Hunan Dongrun by way of distribution to 23rd Metallurgical at nil consideration to satisfy one of the conditions precedent to completion of the Capital Injection.

(2) The adjustment is extracted from Note (4)(a)(i) of "2. Notes to the pro forma adjustments" as set out in the unaudited pro forma financial information of the Enlarged Group under Appendix IV to this circular.

(3) The adjustment is extracted from Note (4)(a)(iii) of "2. Notes to the pro forma adjustments" as set out in the unaudited pro forma financial information of the Enlarged Group under Appendix IV to this circular.

(4) The adjustment covers both fair value and deferred tax adjustments of inventories of the associate, which is extracted from Note (4)(a)(ii) of "2. Notes to the pro forma adjustments" as set out in the unaudited pro forma financial information of the Enlarged Group under Appendix IV to this circular.

(5) The adjustment is extracted from Note (4)(c) of "2. Notes to the pro forma adjustments" as set out in the unaudited pro forma financial information of the Enlarged Group under Appendix IV to this circular.

In respect of the valuation of the property development projects held by Minmetals Land Hunan Target Group and its associate, Vigers has made reference to the sale transaction records with due regard to the construction cost and associated expenses incurred as of the Date of Valuation (as defined in the valuation report set out in Appendix V to this circular), which are directly relevant to the valuation of the property development projects held by Minmetals Land Hunan Target Group and its associate. As confirmed by Vigers, the valuation assumptions adopted by them for the valuation of the property development projects held by Minmetals Land Hunan Target Group and its associate, details of which are set out in the paragraph headed "Valuation Assumption" in the valuation report set out in Appendix V to this circular, are commonly adopted for valuation of properties and are also consistent with normal market practice. Having considered the above and after discussions with Vigers, the Directors consider such valuation assumptions to be fair and reasonable.

The valuation adjustments and assumptions, details of which are set out in Note (4) of "2. Notes to the pro forma adjustments" in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, is with reference to (i) the book values of the relevant property interests which were extracted from the audited financial statements of the Minmetals Land Hunan Group and its underlying supporting documents; (ii) the market values of the relevant property interests as set out in the valuation report in Appendix V to this circular which the Directors consider the valuation assumptions to be fair and reasonable; (iii) the estimated deferred tax associated with the fair value adjustment, which was estimated in accordance with the Company's accounting policies including potential PRC corporate income tax and land appreciation tax; and (iv) the calculation of the applicable impact proportionate to the interests subject to the Capital Injection. The Company has engaged the reporting accountants to report on the unaudited pro forma financial information and the reporting accountants are of the view that, among other things, the basis of preparing the unaudited pro forma financial information is consistent with the accounting policies of the Group and the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Having considered (i) that the reconciliation was made based on information from the audited financial statements of Minmetals Land Hunan Group, and information from the independent valuations considered appropriate to refer to for assessing the fairness of the consideration of the Capital Injection; (ii) that the adjustments were made in accordance with the Company's accounting policies; and (iii) the opinion from the Company's reporting accountants on the unaudited pro forma financial information as set out in Appendix IV to this circular, the Directors consider such valuation adjustments and assumptions to be fair and reasonable.

The Capital Injection would be used by Minmetals Land Hunan for development of property development projects, repayment of loans and as general working capital and shall be satisfied by internal financial resources of the Group or bank borrowings, and the Group has no immediate plan to carry out any equity fund raising exercise.

The Capital Injection shall be paid by Minmetals Shengshi to Minmetals Land Hunan in the following manner:

(a) an aggregate sum of approximately RMB1,061.86 million (approximately HK$1,166.13 million) shall be paid within 15 business days after the following conditions have been satisfied (the "**First Installment Conditions**"):

   (i) all the conditions precedent to the Capital Injection Agreement having been fulfilled (details of which are set out in the section headed "Conditions precedent" below);

   (ii) the constitutional document(s) of Minmetals Land Hunan having been amended and duly executed by Minmetals Shengshi and 23rd Metallurgical;

   (iii) the Capital Injection Completion Agreement having been entered into between the parties upon completion of all the necessary completion procedures in respect of the Capital Injection; and

   (iv) all persons nominated by Minmetals Shengshi pursuant to the Capital Injection Agreement having been elected or appointed as directors, supervisors or senior management of Minmetals Land Hunan and all relevant registration and filings having been made with the SAMR upon completion of all relevant capital injection registration with the SAMR;

(b) an aggregate sum of approximately RMB265.46 million (approximately HK$291.53 million) shall be paid within 15 business days after the following conditions have been satisfied (the "**Second Installment Conditions**"):

   (i) all the First Installment Conditions having been fulfilled;

   (ii) there have not been certain events referred to in the Capital Injection Agreement within 6 months from the day following the date of completion of the Capital Injection resulting in Minmetals Land Hunan suffering economic loss; and

(iii) there has not been any breach of the Capital Injection Agreement by 23rd Metallurgical (including any that have been resolved but of which the associated cost or loss was borne by the Vendor) within 6 months from the day following the date of completion of the Capital Injection.

According to the PRC legal adviser of the Company, any non-payment of the second installment as a result of any non-fulfillment of the Second Installment Conditions would not affect the completion of the Capital Injection and registration of Minmetals Land Hunan with the SAMR by Minmetals Shengshi as holder of 51% equity interest of Minmetals Land Hunan and the increase in registered paid up capital of Minmetals Land Hunan.

Conditions precedent

Completion of the Capital Injection is subject to and conditional upon, the following conditions having been fulfilled:

(a) all necessary approvals and consents required from all relevant PRC governmental authorities and any other third party as may be necessary to give effect to the transactions contemplated under the Capital Injection Agreement having been obtained;

(b) the Independent Shareholders having approved the Capital Injection Agreement and the Capital Injection;

(c) all the conditions precedent to the Equity Transfer Agreement having been fulfilled;

(d) Minmetals Land Hunan has, in accordance with relevant laws, completed the disposal of the entire issued capital of Hunan Dongrun (being its wholly-owned subsidiary as at the Latest Practicable Date) and completed the relevant registration and filings with the SAMR;

(e) all the representations and warranties given by Minmetals Land Hunan and 23rd Metallurgical in the Capital Injection Agreement remaining true, accurate, complete and not misleading in all material aspects as at completion of the Capital Injection; and

(f) Minmetals Land Hunan Group has not and shall not commit any material violations of relevant laws and/or regulations.

None of the conditions precedent may be waived in any event.

As at the Latest Practicable Date, none of the conditions precedent have been fulfilled.

Completion

Pursuant to the Capital Injection Agreement, Minmetals Shengshi shall work with 23rd Metallurgical to complete the capital injection registration with the SAMR within 15 business days after fulfillment of all the conditions precedent to the Capital Injection Agreement. Upon completion of all necessary completion procedures, the parties shall enter into the Capital Injection Completion Agreement. The completion date of the Capital Injection shall be the day on which the capital injection registration with the SAMR has been completed.

Upon completion of the Capital Injection, the registered paid up capital of Minmetals Land Hunan will be increased from RMB300 million (approximately HK$329.46 million) to approximately RMB612.24 million (approximately HK$672.36 million). Minmetals Shengshi will hold 51% of the equity interests of Minmetals Land Hunan and Minmetals Land Hunan will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

Pursuant to the Capital Injection Agreement, 23rd Metallurgical shall ensure that during the period between 30 April 2020 and the completion of the Capital Injection, Minmetals Land Hunan Group shall not, other than the disposal of Hunan Dongrun by way of distribution, declare nor distribute any dividend without Minmetals Shengshi's written consent and that there are no material changes in Minmetals Land Hunan Group's financial position.

SHAREHOLDERS' ARRANGEMENTS

Board composition

The board of directors of Minmetals Land Hunan shall consist of five directors, of which four are shareholders' representatives, subject to election at general meeting, and one employee representative as elected by the employees of Minmetals Land Hunan. Minmetals Shengshi shall nominate three shareholders' representatives and 23rd Metallurgical shall nominate one shareholders' representatives. The chairman of the board of directors of Minmetals Land Hunan shall be a director nominated by Minmetals Shengshi.

Funding

Minmetals Land Hunan will finance its operation as required firstly by bank borrowings based on its own assets, failing which and subject to the agreement of Minmetals Shengshi and 23rd Metallurgical, by shareholders' loan from Minmetals Shengshi and 23rd Metallurgical on a pro-rata basis.

INFORMATION ON THE PARTIES

23rd Metallurgical

23rd Metallurgical is an indirect 88.4%-owned subsidiary of China Minmetals principally engaged in the business of mining development and operations, construction engineering and real estate development.

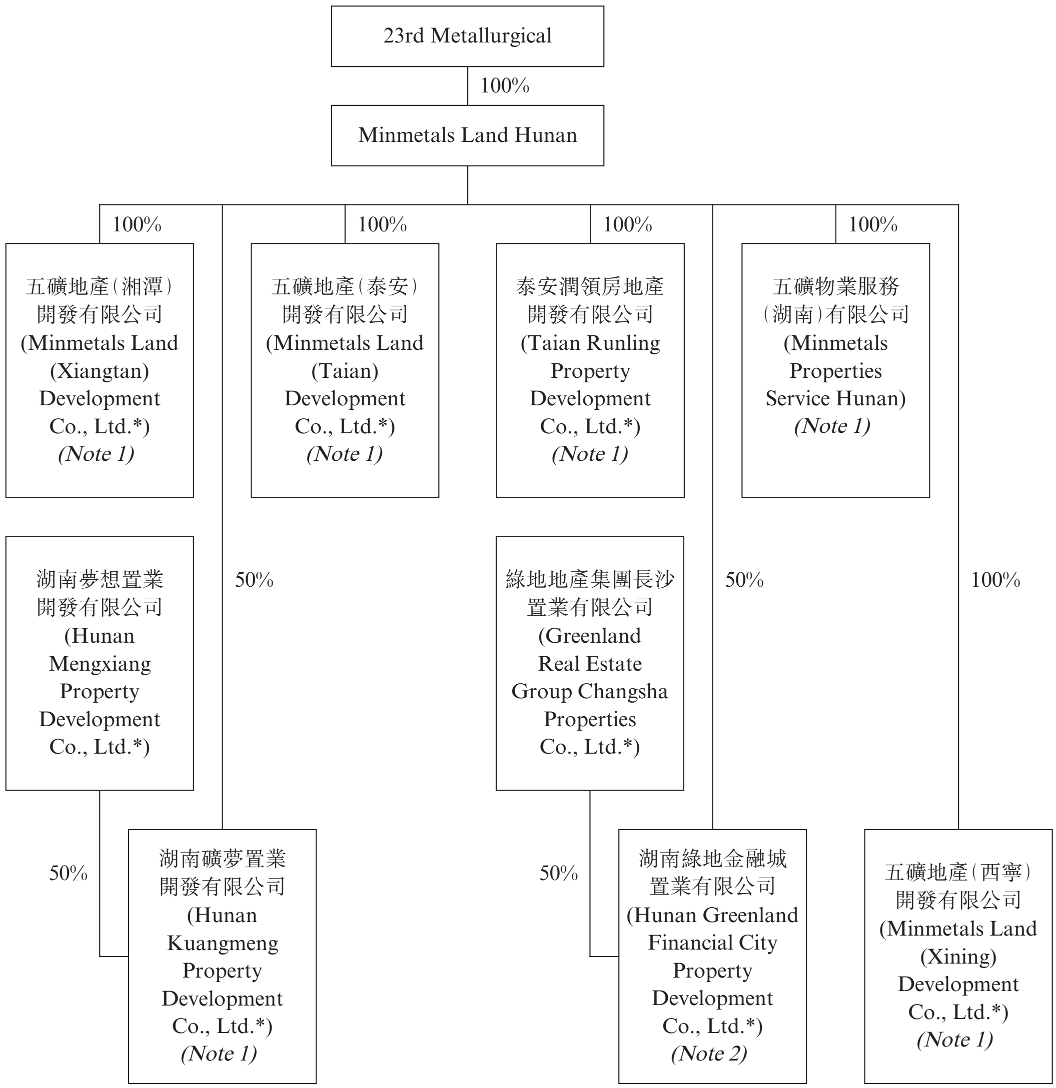
Minmetals Land Hunan Group

Minmetals Land Hunan Group is principally engaged in property development and property management in the PRC.

Minmetals Land Hunan was established under the laws of the PRC with limited liability and is principally engaged in investment holding of companies involved in property development and property management in the PRC. As at the Latest Practicable Date, Minmetals Land Hunan was a direct wholly-owned subsidiary of 23rd Metallurgical and had a fully paid-up registered capital of RMB300 million (approximately HK$329.46 million). 23rd Metallurgical's interest in Minmetals Land Hunan is managed by the Group pursuant to certain entrusted management agreements entered into between the Group and the China Minmetals Group. For further details on such arrangements, please refer to the paragraph headed "Reasons for and benefits of the Transactions — To reinforce the Company's position as the primary listed platform of China Minmetals Group for its property development business" below.

To satisfy one of the conditions precedent to completion of the Capital Injection, Minmetals Land Hunan shall complete the disposal of the entire issued capital of Hunan Dongrun (being its wholly-owned subsidiary as at the Latest Practicable Date) to 23rd Metallurgical at nil consideration. 23rd Metallurgical does not intend to dispose any of its equity interest in Hunan Dongrun as the headquarter of 23rd Metallurgical is located in a building owned by Hunan Dongrun.

A simplified shareholding structure chart of the major operating members of Minmetals Land Hunan Group and its associate upon completion of the disposal of the entire issued capital of Hunan Dongrun and immediately before completion of the Capital Injection is set out below:

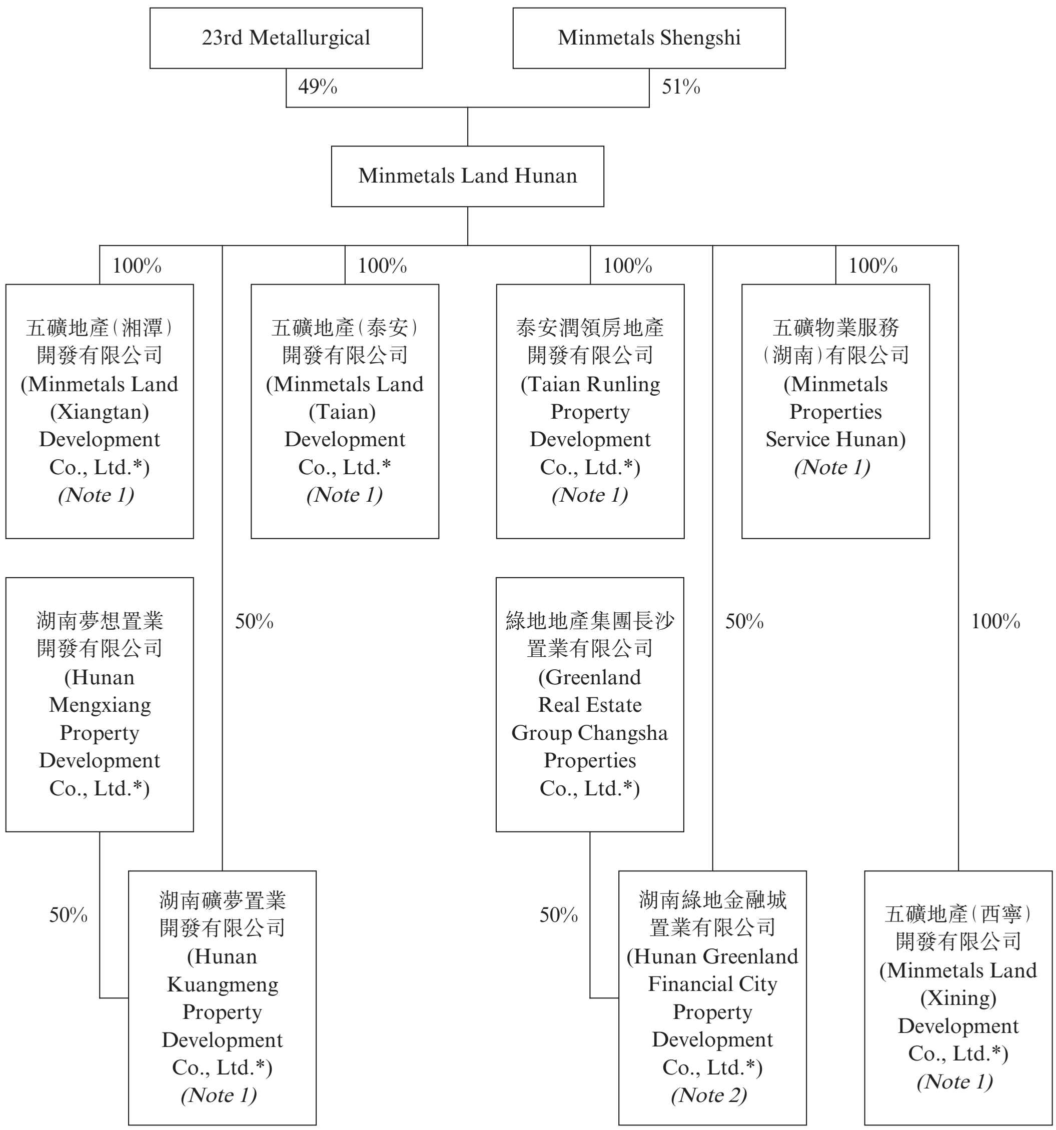


Notes:

(1) Accounted for as a subsidiary of Minmetals Land Hunan

(2) Accounted for as an associate of Minmetals Land Hunan

A simplified shareholding structure chart of the major operating members of Minmetals Land Hunan Group and its associate immediately after completion of the Capital Injection is set out below:



Notes:

(1) Accounted for as a subsidiary of Minmetals Land Hunan

(2) Accounted for as an associate of Minmetals Land Hunan

FURTHER INFORMATION ON MINMETALS LAND HUNAN GROUP

Property portfolio of Minmetals Land Hunan Group and its associate

Minmetals Land Hunan Target Group and its associate have interest in a property portfolio of 10 properties in various major cities in the PRC including Changsha, Xiang Tan, Tai'an and Xining, taking into account the disposal of Hunan Dongrun before completion of the Capital Injection. As at 30 April 2020, the gross floor area of the remaining land bank of the property portfolio of Minmetals Land Hunan Target Group and its associate is approximately 1.21 million sq.m.. In 2019, it achieved a total contracted sales of approximately RMB1,774.63 million (approximately HK$1,948.90 million) whilst the gross floor area contracted for sale was 208,286 sq.m. with an ASP of RMB8,520 (approximately HK$9,357) per sq.m.. In the 4 months ended 30 April 2020, it achieved a total contracted sales of approximately RMB189.97 million (approximately HK$208.63 million) whilst the gross floor area contracted for sale was 20,345 sq.m. with an ASP of RMB9,337 (approximately HK$10,254) per sq.m..

It is expected that for the coming 12 months, the development costs for the property development projects of Minmetals Land Hunan Target Group and its associate will be approximately RMB1,420 million (approximately HK$1,559 million), which will be financed by sales proceeds and the proceeds of the Capital Injection.

The approximate geographical composition of the property portfolio of Minmetals Land Hunan Target Group and its associate as at 30 April 2020 are set out as follows:

Minmetals Land Hunan Target Group and its associate's property portfolio as at 30 April 2020 (subject to the Capital Injection)

						Land bank (Based on 100% basis)				
Project	Project address	Property type[1]	Minmetals Land Hunan's shareholding	Total site area (in sq.m.)	Total gross floor area (in sq.m.)[2]	Completed unsold and sold but undelivered gross floor area (in sq.m.)[3] (a)	Gross floor area under construction (in sq.m.)[3] (b)	Planned gross floor area[3, 4] (in sq.m.) (c)	Total land bank (in sq.m.) (a+b+c)	FY2019 contracted sales ASP (per sq.m.)
Changsha										
1. 萬境瀟湘 Realm of Landscape	Kai Fu District, Changsha Hunan Province, the PRC	R	50%	87,011	308,341	0	249,554	0	249,554	RMB11,979 (approximately HK$13,155)
2. 綠地中心 Changsha Greenland Centre	Kai Fu District, Changsha, Hunan Province, the PRC	C	50%	23,071	258,579	69,000	0	0	69,000	RMB17,106 (approximately HK$18,786)
3. 嘉盛國際廣場 Jiasheng International Square	Tian Xin District, Changsha, Hunan Province, the PRC	R	100%	8,836	75,146	0	0	0	0	—(3)
4. 嘉盛奧美城 Jiasheng Aomei City	Tian Xin District, Hunan Province, the PRC	R	100%	6,075	58,928	1,792	0	0	1,792	—(3)
5.嘉盛華庭 Jiasheng Huating	Yu Hua District, Changsha, Hunan Province, the PRC	R	100%	38,674	251,201	452	0	0	452	—(3)

Project	Project address	Property type[1]	Minmetals Land Hunan's shareholding	Total site area (in sq.m.)	Total gross floor area (in sq.m.)[2]	Land bank (Based on 100% basis): Completed unsold and sold but undelivered gross floor area (in sq.m.)[3] (a)	Gross floor area under construction (in sq.m.)[3] (b)	Planned gross floor area[3, 4] (in sq.m.) (c)	Total land bank (in sq.m.) (a+b+c)	FY2019 contracted sales ASP (per sq.m.)
Xiang Tan										
6. 湘潭 • 萬境水岸 Xiangtan Scenery Cove	Xiang Tan, Hunan Province, the PRC	R	100%	367,272	900,259	9,251	222,229	200,957	432,437	RMB6,248 (approximately HK$6,862)
7. 五礦地產尊城項目 Minmetals Zuncheng Project	Xiang Tan, Hunan Province, the PRC	R	100%	69,095	178,898	1,745	0	0	1,745	—[5]
Tai'an										
8. 五礦萬境廣場 Taian Scenery Centre	Zhangchen Road, Gaoxin District, Tai'an, Shandong Province, the PRC	C	100%	50,692	147,597	1,455	137,787	0	139,242	—[6]
9.泰安 • 萬境水岸 Taian Scenery Cove	Zhangchen Road, Gaoxin District, Tai'an, Shandong Province, the PRC	R	100%	270,109	680,711	7,018	262,614	0	269,632	RMB8,616 (approximately HK$9,462)
Xining										
10.五礦柴達木廣場 Minmetals Chai Da Mu Plaza	Wu Si Road West, Hai Hu New District, Xining, Qinghai Province, the PRC	C	100%	151,654	464,225	50,443	0	0	50,443	RMB15,266 (approximately HK$16,765)
Total				1,072,489	3,323,885	141,156	872,184	200,957	1,214,297	—

Notes:

(1) Property type includes residential ("R") and commercial ("C").

(2) The total gross floor area represents floor area that is accountable for plot ratio calculation, excluding floor area such as air defence basement and basement car parking space where no full legal titles can be obtained.

(3) The properties referred to here are those properties with full legal titles available for sale. Accordingly, completed unsold and sold but undelivered properties and properties under construction with an aggregate gross floor area of 33,880.82 sq.m and 7,693 car parking space, where no full legal titles can be obtained and the relevant companies will only have the right to use and lease, are not included.

(4) All projects have obtained land use rights.

(5) No contracted sales was recorded for these projects in the financial year of 2019 as these are very mature projects.

(6) No contracted sales was recorded in the financial year of 2019, which is in line with project development cycle and sales launch schedule.

The following table sets forth the breakdown of land bank (on 100% basis) by property type as at 30 April 2020:

Type	Land bank (*in sq.m.*)	Percentage
Residential	717,635	59.10%
Commercial	496,662	40.90%
Total	1,214,297	100.0%

Property management operations

Minmetals Properties Service Hunan was established under the laws of the PRC with limited liability and is principally engaged in the provision of property management services and is a direct wholly-owned subsidiary of Minmetals Land Hunan. Its clients include certain subsidiaries of the Company, subsidiaries of China Minmetals and other independent third parties. As at 31 December 2019, the total gross floor area of the properties to which Minmetals Properties Service Hunan provided property management services was approximately 4.67 million sq.m..

Financial information of the segments to be acquired from Minmetals Land Hunan Group

In March 2020, Minmetals Land Hunan completed its disposal of the entire equity interest and shareholder's loan of Minmetals Laiwu (being a wholly-owned subsidiary of Minmetals Land Hunan for the two years ended 31 December 2019 and up to its disposal by Minmetals Land Hunan) held by Minmetals Land Hunan to an independent third party at a consideration of RMB84.132 million (approximately HK$92.394 million), and to satisfy a condition precedent to completion of the Capital Injection, Minmetals Land Hunan will dispose of its interest in Hunan Dongrun by way of distribution to 23rd Metallurgical at nil consideration. Set out below is the relevant segmental information extracted from the audited consolidated financial statements of Minmetals Land Hunan Group for the two years ended 31 December 2018 and 2019, which effectively did not include the contributions from Minmetals Laiwu and Hunan Dongrun, under the HKFRS and the same accounting policies of the Group:

	For the year ended 31 December	
	2018 (audited)	**2019 (audited)**
Revenue	RMB801.03 million (approximately HK$879.69 million)	RMB1,275.67 million (approximately HK$1,400.94 million)
Profit before tax	RMB92.08 million (approximately HK$101.12 million)	RMB394.08 million (approximately HK$432.78 million)
Profit after tax	RMB54.02 million (approximately HK$59.32 million)	RMB273.92 million (approximately HK$300.82 million)

The audited net asset value of the segments to be acquired from Minmetals Land Hunan Target Group as at 30 April 2020 was approximately RMB1,017.14 million (approximately HK$1,117.02 million). Information about the management, discussion and analysis of Minmetals Land Hunan Target Group is set out in Appendix IIIB to this circular.

As of the Latest Practicable Date, the investment cost of Minmetals Land Hunan contributed by the 23rd Metallurgical Group was approximately RMB300 million (approximately HK$329.46 million).

CONNECTED TRANSACTIONS FOLLOWING COMPLETION OF THE CAPITAL INJECTION

Construction works

Members of the China Minmetals Group have been undertaking construction works for certain members of the Minmetals Land Hunan Group. As Minmetals Land Hunan will, following completion of the Capital Injection, become an indirect non-wholly owned subsidiary of the Company, the engagement of members of the China Minmetals Group to undertake construction works for the Minmetals Land Hunan Group following completion of the Capital Injection will constitute connected transactions for the Company.

The Company and China Minmetals have on 17 April 2020 entered into the 2020 Framework Agreement in relation to the engagement of member(s) of the China Minmetals Group as construction contractor(s) (subject to successful tender) in respect of real estate development projects of the Group in Mainland China and Hong Kong for the three years from 19 April 2020 to 18 April 2023 (i.e. the 2020 Framework Agreement). Details are set out in the announcement and circular of the Company dated 17 April 2020 and 12 May 2020 respectively. Any subsequent undertaking of construction works for new projects of the Minmetals Land Hunan Group by members of the China Minmetals Group following completion of the Capital Injection will be undertaken under the 2020 Framework Agreement under the annual caps as approved by the independent Shareholders.

Property management services

Minmetals Properties Service Hunan, a direct wholly-owned subsidiary of Minmetals Land Hunan, has been providing property management services for property projects for 23rd Metallurgical and Hunan Dongrun, which was a direct wholly-owned subsidiary of Minmetals Land Hunan as at the Latest Practicable Date but which will be disposed by way of distribution to 23rd Metallurgical to satisfy one of the conditions precedent to the Capital Injection Agreement. Accordingly, Hunan Dongrun will, incidental to the Capital Injection, remain as a subsidiary of 23rd Metallurgical, and Minmetals Land Hunan will become an indirect non-wholly owned subsidiary of the Company. It is expected that Minmetals Properties Service Hunan will continue to provide property management services to 23rd Metallurgical and Hunan Dongrun following completion of the Capital Injection, which will constitute continuing connected transactions for the Company. The details are set out below:

Existing Property Management Services Agreements

Minmetals Properties Service Hunan is currently providing property management services to 23rd Metallurgical and Hunan Dongrun in relation to 4 properties located in Changsha. Pursuant to the terms of the existing service contracts entered into by Minmetals Properties Service Hunan with 23rd Metallurgical and Hunan Dongrun, respectively (the "**Existing Property Management Services Agreements**"), Minmetals Properties Service Hunan will provide property management services to such projects for terms expiring between 31 December 2020 and 31 December 2022. The management service fees payable by 23rd Metallurgical and Hunan Dongrun was determined with reference to factors such as the type of property, property area and government guidance prices, and property management market rate for the properties of comparable size, location and facilities in the nearby vicinity. The management service fees are payable upon receipt of the relevant mutually agreed invoice from Minmetals Properties Service Hunan.

To the best of the Directors' knowledge, information and belief, the fees charged under the Existing Property Management Services Agreements were arrived at based on arm's length negotiations and on terms no less favourable than those charged by Minmetals Properties Service Hunan against other independent third parties. The annual aggregate amount of management service fees receivable under the Existing Property Management Services Agreements is expected to be approximately RMB5.28 million (approximately HK$5.80 million).

The Directors (including the independent non-executive Directors) consider that the Existing Property Management Services Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of Minmetals Properties Service Hunan, and the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The reasons for and benefits of the Transactions are as follows:

- **To reinforce the Company's position as the primary listed platform of China Minmetals Group for its property development business**

The Group has been providing entrusted management service to China Minmetals Group since 2016 pursuant to certain entrusted management service agreements entered into between the Group and the China Minmetals Group, pursuant to which the China Minmetals Group entrusted the Company with the management of non-listed assets within its real estate development and construction division. The entrusted management service arrangements have remained substantially the same since 2016 and further details of such arrangements are set out in the announcement of the Company dated 18 March 2016. The entrusted assets include real estate development and management projects in Beijing, Tianjin, Shenyang, Liaoning, Shandong, Qinghai, Jiangsu, Hunan and Guangdong. All the non-listed projects currently subject to the Transactions, namely the property portfolios of Tianjin Yijiahe and the Minmetals Land Hunan Group, are covered by the aforementioned entrusted management service agreements, representing the majority of the property development projects currently held by the China Minmetals Group and its related group companies in the PRC.

The Transactions would have the benefits of transferring the China Minmetals Group's non-listed property development operations to the Company to further strengthen the Company's position as the primary listed platform of the China Minmetals Group for its property development business. China Minmetals Group, as the controlling shareholder, will leverage on its own resources to continue providing dedicated and full support to the Company in the future.

- **Diversified and multi-pronged land acquisition strategy to replenish land bank in major second-tier cities for the Group's sustainable development in the future**

The Group has been adhering to a diversified and multi-pronged land acquisition strategy, enhancing internal and external cooperation and expanding investment channels for its strategic acquisition of high-quality land sites. The Transactions can contribute additional land bank of approximately 3.03 million sq.m., of which 71% is located in major second-tier cities (Tianjin and Changsha) in the PRC that are strategically important to the Group's long-term business development. Tianjin and Changsha are the regions where the Group has already established a solid footprint and the Transactions will further advance the Group's leading position. As the demand for quality residential property continues to increase, the Group is confident in the prospects of the real estate market in the PRC, and believes that its market share in promising second-tier cities will be effectively enhanced.

Upon completion of the Transactions, the land bank of the Group will substantially increase by approximately 70%, and the number of property projects of the Group will increase from 27 to 38, while the number of cities entered will increase from 13 to 16, including the expansion of its presence in Shandong Province. The enlarged land bank following the Transactions can further deepen the Group's regional exposure in Pan Bohai Rim and Central China Area, with enhanced brand penetration, expanded operational scale and optimised internal resource allocation, and is expected to drive the Group's sustainable rapid growth in the coming years.

- **Immediate and stable contribution to contracted sales and revenue growth**

The Transactions will provide the Group with new growth drivers for its strategic expansion with immediate and stable contribution to its contracted sales that enhances revenue and profit visibility, as well as contribution to the Group's saleable resources to support future contracted sales, cash flows, revenue and profit growth. For the year ended 31 December 2019, the property portfolios subject to the Transactions had a total contracted sales of RMB5,622 million (approximately HK$6,174 million). For the four months ended 30 April 2020, the property portfolios subject to the Transactions had a total contracted sales of RMB990.66 million (approximately HK$1,087.94 million).

The table below sets out the contracted sales of the Group, Tianjin Yijiahe and Minmetals Land Hunan Target Group and its associate:

	For the year ended 31 December 2019				**For the 4 months ended 30 April 2020**			
	RMB million	*sq.m.*	*ASP (RMB/ sq.m.)*	*Gross floor area delivered (sq.m.)*	*RMB million*	*sq.m.*	*ASP (RMB/ sq.m.)*	*Gross floor area delivered (sq.m.)*
Contracted sales of the Group	8,645.02	459,299	18,822	507,867	1,871.13	100,003	18,711	22,499
Contribution from Tianjin Yijiahe's property project	3,846.52	185,259	20,763	3,405	800.69	40,002	20,016	—
Contribution from Minmetals Land Hunan's property portfolio	1,774.63	208,286	8,520	222,645	189.97	20,345	9,337	57,008
Total	14,266.17	852,844	16,728	733,917	2,861.79	160,350	17,847	79,507

Note: Consistent with standard market practice, the above contracted sales figures are quoted based on 100% ownership

- **Promote brand name and enhance brand image by acceleration of strategic upgrade to an "Urban Operator"**

Leveraging on the industrial resources and urban construction track record of the China Minmetals Group, the Group has been participating actively in a number of urban development projects since 2019. In 2020, the Group intends to accelerate its strategic upgrade from a "property developer" to an "urban operator" in pursuit of a differentiated and quality-oriented growth model, as witnessed by the acquisition of the first batch of land in the Chengdu Dayi Future Eco-City in February 2020, which is a successful showcase of the Industrial City Development strategy, a strategy that is replicable and of lasting significance. The Group intends to further promote the "urban operator" strategy by the acquisition of 49% equity interest in Tianjin Yijiahe, which has a mega property project with a total gross floor area of approximately 2.04 million sq.m.. Taking advantage of the tremendous size, the Group plans to build an innovative Neo-Metropolis in Tianjin via the integration of residential, commercial, cultural and ecological modern community, creating sustainable synergy and further strengthening the "Minmetals Land" brand name.

- **Reduce entrusted management services provided to the China Minmetals Group to diminish internal competition and strengthen corporate governance**

As mentioned above, the Group has been providing entrusted management service to the China Minmetals Group since 2016 pursuant to certain entrusted management service arrangements between the Group and the China Minmetals Group. Upon completion of the Transactions, the majority of the real estate development projects of the China Minmetals Group will be transferred to the Group, which can largely reduce the entrusted management services provided to the China Minmetals Group. The Transactions on one hand can further consolidate real estate resources within the China Minmetals Group to diminish internal competition between the Group and other non-listed property development entities of the China Minmetals Group, and hence strengthen corporate governance. On the other hand, the Group's knowledge on the entrusted assets can enhance the visibility of the projects, facilitate the post-acquisition transition and maximise benefits of the Transactions.

Pursuant to the aforementioned entrusted management service arrangements, upon completion of the Transactions, the provision of management services will be terminated for projects subject to the Transactions, whilst the remaining non-listed real estate development projects of the China Minmetals Group which are not subject to the Transactions will continue to be managed by the Group. The Directors believe that the projects subject to the Transactions represent an exhaustive list of projects that are currently suitable and ready to be integrated into the Group. The remaining non-listed projects that are not subject to the Transactions include (1) development of an industrial land and industrial park, which are located in Beijing and Yingkou respectively and incompatible with the Group's primary focus on residential and commercial development, such projects which are located in 13 cities in the Pan Bohai Rim, Yangtze River Delta, Central China and Pearl River Delta Region in the PRC and Hong Kong; and (2) residential developments located in Yingkou, Shenyang and Shantou, which are regions which do not coincide with the Group's current expansion plan from a geographical perspective as they are currently subject to challenging market conditions and unsatisfactory profitability level. As such, the Group considers it premature and non-optimal to include those projects into the scope of the Transactions.

While the Directors do not believe the operation of the remaining unlisted projects of China Minmetals will be in direct competition with those of the Group, as the aforementioned entrusted management arrangements will continue to stay in effect, the Group will continue to manage the remaining non-listed real estate development and construction businesses of the China Minmetals Group. In addition, China Metallurgical Group Corporation* (中國冶金科工集團有限公司) ("**CMGC**") and its subsidiaries were consolidated into China Minmetals in 2019 and accordingly, Metallurgical Corporation of China Ltd.* (中國冶金科工股份有限公司) (Hong Kong stock code: 1618, Shanghai stock code: 601618) ("**MCC**"), being a subsidiary of CMGC, became a listed subsidiary of China Minmetals. Although MCC is also engaged in real estate development business, MCC and the Group are managed and operated by separate management teams and board of directors. The Directors are of the opinion that any competition that may arise could be well managed independent of MCC.

- **Expand service network to deliver value-added services covering complete customer lifecycle and enhance the Group's revenue stability**

  The Group intends to leverage the operational strength and capability of Minmetals Properties Service Hunan to expand service network of its property management business to deliver value-added services to more tenants and communities covering full customer lifecycle. The acquisition of Minmetals Properties Service Hunan is expected to expand the breadth of service offering and the depth of geographic coverage in relation to the Group's property management business, creating operational synergies from economies of scale and reputational synergies with the Group's property development business by covering complete customer lifecycle.

  With the enlarged property management business following completion of the Transactions, the Group is able to maintain a more diversified and complementary portfolio of product and service offerings, including real estate development, specialised construction and property investment, and property management services, contributing to enhanced revenue stability, reduced operational risk and more sustainable growth.

The Transactions illustrated a concrete and committed intention of the China Minmetals Group to support the Group's growth as their sole Hong Kong-listed real estate flagship, and the Group considers the Transactions a good opportunity to expand its operations, portfolio and foothold in the PRC.

The Directors (including the independent non-executive Directors having considered the views of Somerley) consider that each of the Equity Transfer Agreement and the Capital Injection Agreement have been negotiated on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

THE LISTING RULES IMPLICATIONS

The Transactions

The Vendor, 23rd Metallurgical and Minmetals Land Hunan are indirect non-wholly owned subsidiaries of China Minmetals, which is the ultimate controlling shareholder of the Company holding approximately 61.88% of the issued share capital of the Company as at the Latest Practicable Date. Therefore, each of the Vendor, 23rd Metallurgical and Minmetals Land Hunan is a connected person of the Company and accordingly, the Acquisition and the Capital Injection each constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Equity Transfer Agreement and the Capital Injection Agreement are inter-conditional. As the highest applicable percentage ratio of the Acquisition and the Capital Injection in aggregate exceeds 25% but all of the percentage ratios are less than 100%, the Transactions also constitute major transactions for the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive directors has been formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement, the Capital Injection Agreement and the transactions contemplated thereunder. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company considers that Tianjin Yijiahe has sufficient internal resources and will be able to obtain third party nonrecourse funding to satisfy the Resettlement Costs. In the event that Minmetals Shengshi has to provide funding to Tianjin Yijiahe to satisfy the Resettlement Costs, the Company will comply with the applicable requirements under the Listing Rules accordingly.

CONNECTED TRANSACTIONS FOLLOWING COMPLETION OF THE CAPITAL INJECTION

Construction works

As Minmetals Land Hunan will, following completion of the Capital Injection, become an indirect non-wholly owned subsidiary of the Company, the engagement of the members of the China Minmetals Group to undertake construction works for the Minmetals Land Hunan Group following completion of the Capital Injection will constitute connected transactions for the Company.

The Company and China Minmetals have on 17 April 2020 entered into a framework agreement in relation to the engagement of member(s) of the China Minmetals Group as construction contractor(s) (subject to successful tender) in respect of the real estate development projects of the Group in Mainland China and Hong Kong for the three years from 19 April 2020 to 18 April 2023 (i.e. the 2020 Framework Agreement). Details are set out in the announcement and circular of the Company dated 17 April 2020 and 12 May 2020 respectively. Any subsequent undertaking of construction works for new projects of the Minmetals Land Hunan Group by members of the China Minmetals Group following completion of the Capital Injection will be undertaken under the 2020 Framework Agreement under the annual caps as approved by the independent Shareholders.

Property management services

As Hunan Dongrun will become a subsidiary of 23rd Metallurgical upon or immediately before completion of the Capital Injection and Minmetals Land Hunan will become an indirect non-wholly owned subsidiary of the Company following completion of the Capital Injection, the continued provision of property management services by Minmetals Properties Service Hunan to 23rd Metallurgical and Hunan Dongrun following completion of the Capital Injection under the Existing Property Management Services Agreements will constitute continuing connected transactions for the Company.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with all applicable annual review and disclosure requirements but exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Existing Property Management Services Agreements. The Company will comply with the applicable requirements under Chapter 14A of the Listing Rules if and when the Existing Property Management Services Agreements are amended or renewed.

EFFECT ON EARNINGS AND ASSETS AND LIABILITIES

Upon completion of the Capital Injection, Minmetals Shengshi will hold 51% of the equity interests of Minmetals Land Hunan and Minmetals Land Hunan will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Enlarged Group. Upon completion of the Acquisition, Tianjin Yijiahe will be indirectly owned by the Company as to 49% of its equity interest and its financial results will be accounted for as an investment in an associate under equity method and will not be consolidated into the financial statements of the Enlarged Group.

Based on the financial information of the Minmetals Land Hunan Group and Tianjin Yijiahe as at 30 April 2020, there was an excess of the fair value of the identifiable assets and liabilities of Minmetals Land Hunan and Tianjin Yijiahe over the amount of the Capital Injection and the consideration of the Sale Interests of RMB210.81 million (approximately HK$213.51 million) and the corresponding excess on completion of the Transactions will be either credited to the reserve or income statement of the Group upon the completion of the Transactions by then.

Effect on earnings

The Group's earnings are expected to increase in the future after completion of the Transactions, after taking into account the properties held by the Minmetals Land Hunan Target Group and its associate and Tianjin Yijiahe to be completed and delivered to property buyers overtime.

Effect on assets and liabilities

The Group recognised properties held by Tianjin Yijiahe and the Minmetals Land Hunan Group as investment properties or inventories. Investment properties and inventories are initially recognised at cost. Subsequent to initial recognition, investment properties are measured at their fair value, while inventories are stated at the lower of cost and net realisable value. Inventories represent properties under development and completed properties held for sale.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming completion of the Transactions had taken place on 31 December 2019, the total asset of the Group would be increased from approximately HK$48,961.37 million to approximately HK$57,428.04 million and the total liabilities of the Group would be increased from approximately HK$32,694.65 million to approximately HK$39,209.26 million. Accordingly, the unaudited pro forma net assets of the Enlarged Group as at 31 December 2019 would increase from approximately HK$16,266.72 million to approximately HK$18,218.78 million. The details of the financial effect of the Transactions on the financial position of the Group together with the basis and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

Gearing

As extracted from the annual report of the Company for the year ended 31 December 2019, the gearing ratio of the Group, calculated with reference to net debt of approximately HK$12,861.10 million and the Group's total equity attributable to the Shareholders of approximately HK$16,266.72 million, was 79.1% as at 31 December 2019. As set out in the Appendix IV to this circular, assuming completion of the Transactions had taken place on 31 December 2019, the gearing ratio of the Enlarged Group upon completion of the Transactions would be 80.4%.

SGM

The SGM will be convened to consider and, if thought fit, to approve the Transactions. A notice of the SGM to be held at Monet Room B, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 7 August 2020 at 10:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

As at the Latest Practicable Date, June Glory and its associates controlled 2,071,095,506 Shares (representing approximately 61.88% of the issued share capital of the Company). In view of the connection between June Glory and each of the Vendor and 23rd Metallurgical, June Glory and its associates are required to abstain from voting on the resolutions approving the Transactions at the SGM in accordance with Rule 14A.36 of the Listing Rules. To the best of the Directors' knowledge, belief and having made all reasonable enquiries, as at the Latest Practicable Date, save for June Glory, no Director or other Shareholder was or would be required to abstain from voting on the Board or Shareholders resolutions, as the case may be, for approving the Transactions.

A form of proxy for use at the SGM is attached. 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 10:30 a.m. on Wednesday, 5 August 2020. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the SGM will be taken by poll except where the chairman of the SGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published on the websites of the Company and of the Stock Exchange following the SGM.

RECOMMENDATION

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Transactions.

Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, *inter alia*, whether the Independent Shareholders should vote in favour of the resolutions regarding the Transactions.

The Directors (including the independent non-executive Directors having considered the views of Somerley) are of the view that the terms of each of the Equity Transfer Agreement and the Capital Injection Agreement are fair and reasonable and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve (i) the Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) the Capital Injection Agreement and the transactions contemplated thereunder.

None of the Directors had a material interest in the Transactions or was required to abstain from voting at the relevant board meeting approving the Transactions.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 41 to 42 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM and to the letter from the Independent Financial Adviser as set out on pages 43 to 95 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

Your attention is also drawn to the financial information and general information set out in the appendices to this circular.

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

五礦地產有限公司
MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

21 July 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTIONS IN RELATION TO (I) ACQUISITION OF 49% EQUITY INTERESTS IN TIANJIN YIJIAHE; (II) CAPITAL INJECTION IN MINMETALS LAND HUNAN; (2) CONTINUING CONNECTED TRANSACTIONS; AND (3) NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular of the Company dated 21 July 2020 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider and to advise the Independent Shareholders in respect of the Transactions, details of which are set out in the "Letter from the Board" in the Circular, taking into account the recommendation of Somerley, which has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

Your attention is drawn to the "Letter from the Board" set out on pages 8 to 40 of the Circular and the "Letter from the Independent Financial Adviser" set out on pages 43 to 95 of the Circular, which contain, among other things, information and the advice from the Independent Financial Adviser in respect of the Transactions.

Having taken into account, among other things, the terms of the Transactions, the reasons for and benefits of the Transactions and the advice of the Independent Financial Adviser as set out in the "Letter from the Independent Financial Adviser" of the Circular, we consider that the entering into of each of the Equity Transfer Agreement and the Capital Injection Agreement is in the usual and ordinary course of business of the Company and the terms contemplated thereunder are on normal commercial terms, fair and reasonable, and 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 resolutions to be proposed at the SGM to approve (i) the Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) the Capital Injection Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Lam Chung Lun, Billy	**Selwyn Mar**	**Law Fan Chiu Fun, Fanny**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

21 July 2020

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR ACQUISITION AND CONNECTED TRANSACTIONS IN RELATION TO: (I) ACQUISITION OF 49% EQUITY INTERESTS IN TIANJIN YIJIAHE; AND (II) CAPITAL INJECTION IN MINMETALS LAND HUNAN

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement, the Capital Injection Agreement and the transactions contemplated under each of the Equity Transfer Agreement and the Capital Injection Agreement. Details of the Equity Transfer Agreement, the Capital Injection Agreement and the transactions contemplated under each of the Equity Transfer Agreement and the Capital Injection Agreement are set out in the circular of the Company dated 21 July 2020 (the "**Circular**"), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 18 June 2020 (after trading hours), Minmetals Shengshi, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor, pursuant to which, the Vendor conditionally agreed to sell and Minmetals Shengshi conditionally agreed to acquire the Sale Interests (representing the entire equity interest held by the Vendor in 49% of Tianjin Yijiahe) at a consideration of RMB1,475.45 million (equivalent to approximately HK$1,620.34 million). Upon completion of the Acquisition, Tianjin Yijiahe will be indirectly owned as to 49% by the Company. It will be accounted as investment in an associate under equity method, and its financial results will not be consolidated into the financial statements of the Group.

On the same day, Minmetals Shengshi entered into the Capital Injection Agreement with Minmetals Land Hunan and 23rd Metallurgical, pursuant to which, Minmetals Shengshi has conditionally agreed to inject RMB1,327.32 million (equivalent to approximately HK$1,457.66 million) into Minmetals Land Hunan. Upon completion of the Capital Injection, Minmetals Shengshi will hold 51% of the equity interests of Minmetals Land Hunan and Minmetals Land Hunan will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group. The Equity Transfer Agreement and the Capital Injection Agreement are inter-conditional.

The Vendor, 23rd Metallurgical and Minmetals Land Hunan are indirect wholly-owned subsidiaries of China Minmetals, which is the ultimate controlling shareholder of the Company, and thus each of the Vendor, 23rd Metallurgical and Minmetals Land Hunan is a connected person of the Company. Each of the Acquisition and the Capital Injection is a connected transaction of the Company under Chapter 14A of the Listing Rules. In addition, as the highest applicable percentage ratio in relation to the Acquisition and the Capital Injection in aggregate exceeds 25% but all of the percentage ratios are less than 100%, the Acquisition and the Capital Injection also constitute major transactions for the Company and are subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Selwyn Mar, Mr. Lam Chung Lun, Billy and Ms. Law Fan Chiu Fun, Fanny, has been formed to advise the Independent Shareholders in relation to the Equity Transfer Agreement, the Capital Injection Agreement and the transactions contemplated under each of the Equity Transfer Agreement and the Capital Injection Agreement. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regards.

During the past two years, there have been no engagements between the Company and Somerley Capital Limited. As at the Latest Practicable Date, Somerley Capital Limited does not have any relationships or interests with the Company, China Minmetals, the Vendor, 23rd Metallurgical and Minmetals Land Hunan that could reasonably be regarded as a hindrance to the independence of Somerley Capital Limited as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Capital Injection Agreement and the transactions contemplated under each of the Equity Transfer Agreement and the Capital Injection Agreement. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser in respect of the Equity Transfer Agreement, the Capital Injection Agreement and the transactions contemplated under each of the Equity Transfer Agreement and the Capital Injection Agreement, no arrangement exists whereby we will receive any fees or benefits from the Company.

In formulating our advice, we have reviewed, among other things, the Equity Transfer Agreement, the Capital Injection Agreement, the annual reports of the Company for each of the two years ended 31 December 2018 and 2019 (the "**Annual Reports**"), the valuation reports of the property development projects held by the Minmetals Land Hunan Target

Group and its associate as at 30 April 2020 and the property development projects held by Tianjin Yijiahe as at 30 April 2020 prepared by a qualified and independent valuer as set out in Appendix V to the Circular, the accountants' reports of Tianjin Yijiahe and Minmetals Land Hunan Group as set out in Appendix IIA and Appendix IIB to the Circular respectively, the management discussion and analysis of financial information of Tianjin Yijiahe and the Minmetals Land Hunan Group as set out in Appendix IIIA and Appendix IIIB to the Circular respectively, the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, and the information as set out in the Circular. We have also discussed the businesses and future prospects of the Group with the management of the Group (the "**Management**"). We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the Management, and have assumed that they are true, accurate and complete in all material aspects at the time they were made and will remain so up to the time of the SGM. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group, China Minmetals, Tianjin Yijiahe, the Minmetals Land Hunan Group, and their respective associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Equity Transfer Agreement and the Capital Injection Agreement, we have taken into account the following principal factors and reasons:

1. Reasons for and benefits of the Acquisition and the Capital Injection

Recent performance of the Group

The Group is principally engaged in the businesses of real estate development, specialised construction, property investment (these three businesses being the major businesses of the Group) and securities investment. Minmetals Shengshi is an indirect wholly-owned subsidiary of the Company principally engaged in investment holding. Currently, the Group's real estate development business covers the Pearl River Delta, Yangtze River Delta, Pan Bohai Rim and Central China regions. Its specialised construction business based in Shanghai and Hong Kong has coverage in fifty provinces and cities in China.

According to the Company's 2019 annual report, as at 31 December 2019, the Group had a developable gross floor area ("**GFA**") (i.e. land bank of the Group) of approximately 4.35 million square metres ("**sq.m.**") across 27 real estate development projects in 13 cities, namely Beijing, Yingkou, Langfang, Tianjin, Nanjing, Changsha, Wuhan, Chengdu, Huizhou, Foshan, Guangzhou, Shenzhen and Hong Kong. The land bank of the Group as at 31 December 2017 and 2018 are approximately 3.86 million sq.m. and 4.56 million sq.m. respectively.

During the year ended 31 December 2019, the Group's revenue increased by approximately 3% from approximately HK$10,931 million to approximately HK$11,261 million. The Group's total contracted sales increased approximately 26.8% to approximately RMB8,644 million from approximately RMB6,818 million in 2018. The majority of the contracted sales was derived from Tier 1 and Tier 2 cities. However, the Group's profit dropped by approximately 22.5% from approximately HK$1,747 million to HK$1,353 million due to a number of reasons. Firstly, gross profit margin slid from approximately 35.6% to approximately 23.7% as the majority of recognised revenue came from lower-margin products of land parcels acquired since 2016 which were affected by pricing restrictions during sales. Secondly, the Group's selling and marketing expenses increased by approximately 37.9% from approximately HK$175.5 million to approximately HK$242.0 million as a large number of projects under development are either new projects with debut sales launch or projects undergoing early stage marketing over the year.

Outlook of the PRC property market

2020 is the year to complete the "Thirteenth Five-year Plan". Although phase-one economic and trade agreement between China and the United States has boosted business sentiment across the region, the outbreak of the novel coronavirus ("**COVID-19**") has further slowed industry growth and is expected to have a significant, albeit short-lived, effect on the PRC economy in the first quarter of 2020. According to the National Bureau of Statistics of China, China's gross domestic product ("**GDP**") in the first quarter of 2020 shrank approximately 6.8% from the same period a year ago.

To mitigate the effect of the COVID-19 outbreak, various PRC local governments have been introducing supportive measures to stabilise the real estate market since February 2020, such as allowance of delay in the commencement and completion time of property projects, relaxation of pre-sale conditions and supervision on pre-sale funds, postponing the payment of land lease, enhancing the credit support to developers, relaxation of credit limits and down payment requirements, issuance of housing subsidies etc. China is poised to further cut the Reserve Required Ratio and interest rates in the first half of 2020 to widen the yield spread and providing support for commercial real estate investment.

On 1 March 2020, the State Council issued the "Decision on the Authorised and Entrusted Land Examination and Approval Rights (Guo Fa [2020] No. 4)", which simplified the relevant approval process for the conversion of agricultural land, and expanded the local government's autonomy in land management, which is conducive to improving the efficiency of land management, local government's governance capacity, and stability of fiscal revenue.

On 22 May 2020, the State Council Premier Li Keqiang proposed in the 2020 State Council Government Work Report to strengthen new urbanisation construction and vigorously improve the county's public facilities and service capabilities to meet the increasing needs of farmers to move to the urban area for employment and settlement. To continue to promote urbanisation, central cities and urban agglomerations will play an important role to cultivate industries and increase employment. With respect to the property market, the guidelines of "housing is for living in, not for speculation" and "not using the property market to boost short-term economic growth" still apply. The control policies of the PRC government continued along with city-specific emphasis to facilitate healthy and stable growth of the property market.

Property projects held by Tianjin Yijiahe and the Minmetals Land Hunan Target Group and its associate (the "**Target Property Projects**") with unsold portions involve several cities, Tianjin, Changsha, Tai'an, Xiang Tan and Xining. Based on the data published in the websites of the PRC local government authorities, the GDP of Tianjin, Changsha, Tai'an, Xiang Tan and Xining cities exhibited a growing trend in 2019. In Tianjin, local governments have been rolling out control measures such as the limited purchasing order and the price setting guidance to stabilise the property market. However, in 2020, Tianjin and Xining governments have implemented stimulating policies to mitigate the impacts brought by COVID-19. For example, the Tianjin government lifted some of the control measures and introduced the "Haihe Talent" program in Tianjin, lowering the requirements of household registration for non-local residents. The Xining government lowered pre-sale conditions of property projects. While stringent control policies for the property market in Changsha remain in place, there are no limit purchasing orders in Xiang Tan and Tai'an. Property markets in these places are expected to continue stabilising. The GDP of Tianjin, Changsha, Tai'an, Xiang Tan and Xining in 2019 were approximately RMB1.41 trillion, RMB1.16 trillion, RMB266.4 billion, RMB225.8 billion and RMB138.29 billion respectively, representing an increase of approximately 4.8%, 8.1%, 6.3%, 7.6% and 7.5% respectively, compared to 2018, according to the statistics released by local government authorities. As set out in the same sources, residents' per capita disposable income in Tianjin, Changsha, Tai'an, Xiang Tan and Xining in 2019 grew to approximately RMB42,404, RMB55,211, RMB29,690, RMB32,548 and RMB28,189 respectively, each being higher than or close to the national average in 2019 of approximately RMB30,733. The above statistics suggest that the above cities are experiencing economic growth which therefore benefits the development of the real estate market. In addition, investments in real estate development in the above cities also increased over the past years, with a growth rate ranging from approximately 11.2% to 15.9% during 2019, except for Xining with a slight decrease of approximately 0.4% in 2019, according to the same sources. As advised by the Management, according to the figures from China Real Estate Index System issued by China Index Academy, land market transactions recorded in April 2020 in Tianjin, Changsha, Tai'an, Xiang Tan and Xining showed significant rebound compared to February and March 2020 figures to a level that is similar to period before COVID-19 as property companies resume investment and operational activities when the epidemic stabilises.

According to National Bureau of Statistics of China, the national average sale prices per square meter of commercial properties and residential properties have both been on the rise from 2015 to 2018, with a compound annual growth rate ("**CAGR**") of approximately 3.7% in commercial property prices and a CAGR of approximately 9.7% in residential property prices. However, the COVID-19 epidemic early this year has taken a toll on the property sector from late January to March 2020. With force closure in showrooms and marketing and sales activities being put on halt, many real estate developers launched online sales platforms to battle against the situation. Nonetheless, as the overall pandemic situation stabilises in the PRC with increasing relaxation in social distancing measures, business and construction activities resumed and property sales and construction data rebounded quickly. By the end of April 2020, as advised by the Management, the Group only recorded a slight decline in contracted sales compared to corresponding period in 2019. As such, coupled with the PRC government's long-term goal of stabilising the land prices, property prices and price expectations, the Management is of the view that COVID-19 will not have a long-term material impact on the real estate market in the PRC and the development of the real estate market in the PRC will remain stable. In addition, the Management is of the view that once the epidemic is gradually brought under control, the real estate sector, as one of the pivotal industries, will benefit from the economic stimulus policies. It is also expected that with the easing of and adjustments to future fiscal policies, the market would make a recovery when the epidemic becomes less severe and the Transactions will drive the Group's growth in the coming years.

Rationale for the Transactions

As mentioned in the "Letter from the Board" contained in the Circular, the Acquisition and the Capital Injection will be beneficial to the future development of the Group considering the factors set out below:

— *Replenish land bank in major second-tier cities for the Group's sustainable development in the future*

The Transactions will contribute an additional land bank of approximately 3.03 million sq.m., of which approximately 71% is located in major second-tier cities (Tianjin and Changsha) in the PRC that are strategically important to the Group's long-term business development. Tianjin and Changsha are the regions where the Group has already established a solid footprint and the Transactions will further advance the Group's leading position. As the demand for quality residential property continues to increase, the Group is confident in the prospects of the real estate market in the PRC, and believes that its market share in promising second-tier cities will be effectively enhanced. As advised by the Management, Xiang Tan is near Changsha and the addition of these projects enables resources and cost saving on a group level and further synchronisation in terms of branding and operational efficacy, while Tai'an is where the Minmetals Land brand name has achieved great local recognition and pricing premium, as the Tai'an projects trumps the local property sales chart both in terms of value and average selling price ("**ASP**"). The Xi'ning project is completed with no further requirement in funding or investment, though it is not a city where the Group seeks further expansion but the inclusion of this project will promote the Group's branding in Northwestern China. Upon completion of the Transactions, the land bank of the Group will substantially increase around 70%. The enlarged land bank following the Transactions can further deepen the Group's regional exposure in Pan Bohai Rim and Central China Area, with enhanced brand penetration, expanded operational scale and optimized internal resource allocation, and is expected to drive the Group's growth in the coming years.

The Target Property Projects are located in Tianjin, Changsha, Xiang Tan, Tai'an and Xining. Based on the Company's 2019 annual report, the Group currently has property projects in Tianjin and Changsha. As Tianjin and Changsha are core second-tier cities, the Management considers that the market size and demand in these two cities are sufficient to accommodate various property projects to be developed with similar timeframe. In addition, the property project held by Tianjin Yijiahe, Neo-Metropolis, is intended to be developed as a large-scale residential area in a district in Tianjin different from the commercial development projects currently held by the Group in Tianjin. In view of the above, the Management considers that the Transactions will not have material effect on the future development and sales of the Group's existing property projects.

— *Immediate and stable contribution to contracted sales and revenue growth*

The Transactions will provide the Group with new growth drivers for its strategic expansion with immediate and stable contribution to its contracted sales that enhances revenue and profit visibility, as well as contribution to the Group's saleable resources to support future contracted sales, cash flows, revenue and profit growth. The contribution of contracted sales indicate that there will be an increase in future revenue to be recognised from these sales upon delivery of properties to customers. It is also likely that there will be further contracted sales to be recorded from those property projects in future pre-sale activities.

For the year ended 31 December 2019, the property portfolios subject to the Transactions had a total contracted sales of approximately RMB5,622 million (equivalent to approximately HK$6,174 million). For the four months ended 30 April 2020, such property portfolios had a total contracted sales of approximately RMB991 million.

As explained in the section headed "4. Evaluation of the consideration" of this letter below, the consideration for each of the Acquisition and the Capital Injection represents a discount to the respective adjusted net assets value attributable to the underlying equity interests, which has taken into account adjustments with reference to the independent property valuation of the Target Property Projects. Accordingly, it is expected that the Transactions will have a positive contribution to the profit of the Group in due course.

Further details of the financial effects of the Transactions on the Group are set out in the section headed "5. Financial effects of the Acquisition and the Capital Injection" of this letter below.

— *Promote brand name and enhance brand image by acceleration of strategic upgrade to an "Urban Operator"*

The Group has been participating actively in a number of urban development projects since 2019 and intends to accelerate its strategic upgrade from a "property developer" to an "urban operator" in pursuit of a differentiated and quality-oriented growth model. The Group intends to further promote the "urban operator" strategy by acquisition of 49% equity interest in Tianjin Yijiahe, which has a mega property project with a total GFA of approximately 2.04 million sq.m.. Taking advantage of the tremendous size, the Group plans to build an innovative neo-metropolis in Tianjin via the integration of residential, commercial, cultural, and ecological modern community, creating sustainable synergy and further strengthening the "Minmetals Land" brand name.

— *Reduce entrusted management services provided to the China Minmetals Group to diminish internal competition and strengthen corporate governance*

The Group has been providing entrusted management service to the China Minmetals Group since 2016 pursuant to certain entrusted management service agreements entered into between the Group and the China Minmetals Group, pursuant to which the China Minmetals Group entrusted the Company with the management of non-listed assets within its real estate development and construction division. All the property portfolios of Tianjin Yijiahe and the Minmetals Land Hunan Group and its associate are covered by the aforementioned entrusted management service agreements. Upon completion of the Transactions, the majority of the real estate development projects of the China Minmetals Group (currently under entrusted management by the Group) will be transferred to the Group, which can largely reduce the entrusted management services provided to the China Minmetals Group. The Transactions can further consolidate real estate resources within the China Minmetals Group to diminish internal competition between the Group and other non-listed property development entities of the China Minmetals Group, and hence strengthen corporate governance. At the same time, the Group's knowledge on the entrusted assets can enhance the visibility of the projects, facilitate the post-acquisition transition and maximise benefits of the Transactions.

Pursuant to the aforementioned entrusted management service arrangements, upon completion of the Transactions, the provision of management services will be terminated for projects subject to the Transactions, whilst the remaining non-listed real estate development projects of China Minmetals Group which are not subject to the Transactions will continue to be managed by the Group. The Directors believe that the projects subject to the Transactions represent an exhaustive list of projects that are currently suitable and ready to be integrated into the Group. As advised by the Management, the remaining non-listed projects that are not subject to the Transactions include (1) development of an industrial land and industrial park, which are located in Beijing and Yingkou respectively and incompatible with the Group's primary focus on residential and commercial development, such projects which are located in 13 cities in the Pan Bohai Rim, Yangtze River Delta, Central China and Pearl River Delta regions in the PRC and Hong Kong; and (2) residential developments located in Yingkou, Shenyang and Shantou, which are regions which do not coincide with the Group's current expansion plan from a geographical perspective as they are currently subject to challenging market conditions and unsatisfactory profitability level. As such, the Group considers it premature and non-optimal to include those projects into the scope of the Transactions. Based on the above, given the differences in nature (industrial and residential/commercial) and geographical regions of property projects of the Company and China Minmetals Group (regions of remaining non-listed projects are not overlapping or located in regions with the Group's current development or expansion), we concur with the Directors' view that the property-related business of the Group and China Minmetals Group shall be clearly delineated upon completion of the Transactions.

While the Directors do not believe the operation of the remaining non-listed projects of China Minmetals will be in direct competition with those of the Group, as the aforementioned entrusted management arrangements will continue to stay in effect, the Group will continue to manage the remaining non-listed real estate development and construction businesses of China Minmetals Group. The Transactions represent a key step for the Group to reduce the internal competition between the Group and China Minmetals Group.

In addition to abovementioned non-listed property projects, China Metallurgical Group Corporation* (中國冶金科工集團有限公司) ("**CMGC**") and its subsidiaries were consolidated into China Minmetals in 2019 and accordingly, Metallurgical Corporation of China Ltd.* (中國冶金科工股份有限公司) (Hong Kong stock code: 1618, Shanghai stock code: 601618) ("**MCC**"), being a subsidiary of CMGC, became a listed subsidiary of China Minmetals. The consolidation of CMGC into China Minmetals in 2019 is resulted from the strategic restructuring between MCC and its subsidiaries and China Minmetals as approved by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The Management is aware that MCC is also engaged in property development business, but they are of the view that any competition that may arise could be well managed independent of MCC as MCC and the Group are managed and operated by separate management teams and board of directors. The Management shall monitor and remain alert on business competitions that may arise between MCC and the Group, and assess the potential impact on the Group's operations. In the case where the Management considers that such issue leads to material adverse impact on the development of the Group, the Management shall communicate with China Minmetals on the situation.

— *Expand service network to deliver value-added services covering complete customer lifecycle and enhance the Group's revenue stability*

The acquisition of Minmetals Properties Service Hunan, a subsidiary of Minmetals Land Hunan, is expected to expand the breadth of service offering and the depth of geographic coverage in relation to the Group's property management business, creating operational synergies from economies of scale and reputational synergies with the Group's property development business by covering complete customer lifecycle.

— *Support the Group's future plan on expansion and strategic positioning*

Upon completion of the Transactions, the number of property projects of the Group would increase from 27 to 38, while the number of cities entered would increase from 13 to 16, including the expansion of its presence into Shandong Province which contains the city of Tai'an.

As advised by the Management, the Group plans to focus its future development on improving quality and efficiency. Corporate strategic positioning, organisational control and brand building will become priorities in enhancing the Group's overall capability in the future. The Group will accelerate its strategic upgrade from a "property developer" to an "urban operator" in pursuit of a differentiated and quality-oriented growth model by improving turnover, achieving higher revenue recognition ahead of schedule for designated projects and achieving greater efficiency with cost reduction measures.

Given the above, in particular, (i) the development of the PRC real estate market remains relatively stable despite the outbreak of COVID-19; (ii) the Transactions allow the Group to replenish land bank for the Group's sustainable development; (iii) the prospects of the local property markets in which the Target Property Projects are located; (iv) there will be immediate and stable contribution to contracted sales and revenue growth upon the completion of the Transactions; and (v) the Transactions are in line with the Group's future plan on expansion and strategic positioning, we concur with the Directors' view that the transactions contemplated under the Equity Transfer Agreement and the Capital Injection Agreement are in the interests of the Company and the Shareholders as a whole.

2. Background and financial information of Tianjin Yijiahe and the Minmetals Land Hunan Group

(I) Tianjin Yijiahe

Tianjin Yijiahe is principally engaged in development of a mega scale residential estate, namely Neo-Metropolis, in Tianjin, PRC. The Vendor's interest in Tianjin Yijiahe is managed by the Group pursuant to certain entrusted management agreements entered into between the Group and the China Minmetals Group. Further details are set out in the "Letter from the Board" contained in the Circular. Upon completion of the Acquisition, Tianjin Yijiahe will be indirectly owned as to

49% by the Company and its financial results will be accounted for as an investment in associate under equity method and will not be consolidated into the financial statements of the Group.

Property project of Tianjin Yijiahe

As at the Latest Practicable Date, the property interest of Tianjin Yijiahe comprised solely its interest in Neo-Metropolis, a mega scale residential estate development project undertaken by Tianjin Yijiahe located in Bei Chen District, Tianjin, PRC. Neo-Metropolis is highly accessible as it is close to the Beijing-Tianjin-Tangshan expressway and is also accessible by 2 subway lines, of which 4 subway stops are located in Neo-Metropolis. It occupies a total site area of approximately 1.12 million sq.m., in which it is expected to provide a total GFA of approximately 2.04 million sq.m. As at 30 April 2020, the GFA of the remaining land bank of the entire project is approximately 1.81 million sq.m., of which 723,717 sq.m. with land use rights obtained and 1,090,111 sq.m. GFA was still pending land use rights as at 30 April 2020. It is intended to be developed into various medium and high-rise residential buildings with ancillary commercial portion and basement carparks. The ancillary commercial portion will comprise a low-rise community shopping arcade as well as retail and commercial podium. The construction of the Neo-Metropolis project commenced in November 2012 with pre-sales beginning in the first quarter of 2013 and the development is carried out in phases with the construction of the whole project expected to be completed in 2027. In 2019, this project achieved a total contracted sales of approximately RMB3,846.52 million (equivalent to approximately HK$4,224.25 million) whilst the GFA contracted for sale was approximately 185,259 sq.m. with an ASP of approximately RMB20,763 (equivalent to approximately HK$22,802) per sq.m.. For the four months ended 30 April 2020, this project achieved total contracted sales of approximately RMB800.69 million (equivalent to approximately HK$879.32 million) whilst the GFA contracted for sale was 40,002 sq.m. with an ASP of approximately RMB20,016 (equivalent to approximately HK$21,982) per sq.m.. It is expected that for the coming 12 months, the development costs for Neo-Metropolis will be approximately RMB3,900 million (approximately HK$4,283 million), which will be financed by Tianjin Yijiahe from sales proceeds of property units and bank borrowings.

The details of the property project of Tianjin Yijiahe as at 30 April 2020 are set out as follows:

					Land bank (based on 100% basis) *(note 3)*			
Project	**Project address**	**Property type** *(note 1)*	**Total site area (in sq.m.)** *(note 2)*	**Total GFA (in sq.m.)** *(note 2)*	**Completed GFA (unsold and sold but undelivered) (in sq.m.) (a)**	**GFA under construction (in sq.m.) (b)**	**Planned GFA (in sq.m.) (c)**	**Total land bank (in sq.m.) (a)+(b)+(c)**
天津未來城 Neo-Metropolis	Bei Chen District, Tianjin, the PRC	R+C	1,115,476	2,042,750	—	723,717	1,090,111	1,813,828

Notes:

(1) Property type includes residential "R" and commercial "C".

(2) A total site area of 584,237 sq.m. with a corresponding total GFA of 1,090,111 sq.m. is pending land use rights.

(3) The properties referred to here are only those properties with full legal titles available for sale. Accordingly, completed unsold property with GFA of approximately 2,953 sq.m, being a commercial house where the real estate title certificate is still pending, and 7,172 car parking space (including portions of completed unsold and sold but undelivered property and/or property under construction), where no full legal titles can be obtained and Tianjin Yijiahe will only have the right to use and lease, will not be included.

Overall, approximately 79.7% of the property held by Tianjin Yijiahe is being developed for residential use and approximately 20.3% of it is for ancillary commercial use as at 30 April 2020.

A number of medium and high-rise residential buildings with basement carpark, together with a 3-storey commercial house have been completed in 2017. As advised by the Management, as at 30 April 2020, a 3-storey commercial house with a GFA of approximately 2,953 sq.m. without valid real estate title certificate remained unsold. In addition, there are 720 completed but unsold car parking spaces which could not be transferred with proper legal titles but could be sold with its rights to use pursuant to the prevailing rules in the PRC. The commercial house and car parking spaces are not included in the total land bank in the above table as those are not properties with full legal titles available for sale.

For the portion that is under construction, it has a total planned aboveground GFA of approximately 723,717 sq.m. and is expected to be completed in late 2023 and it will be developed into a mega-scale residential estate. As advised by the Management, part of this portion of the property having an aggregate GFA of approximately 366,061 sq.m. and 300 car parking spaces were presold as at 30 April 2020. Based on the current project timetable, the pre-sale activity of this portion is expected to be completed in 2020 to 2022.

As for the planned GFA as shown above, it represents a land parcel that is intended to be developed into a mega-scale residential estate comprising various medium and high-rise residential buildings with basement carpark underneath. It has a site area of about 584,237 sq.m. and an intended aboveground GFA of about 1,090,111 sq.m.. Currently, no valid state-owned land-use rights certificate was issued to Tianjin Yijiahe for this part of the property due to the ongoing resettlement work of the residing residents as discussed in the sub-section below.

— *Resettlement work of Tianjin Yijiahe*

Neo-Metropolis is a mega-scale resettlement project with a total GFA of approximately 2.04 million sq.m. and land titles are to be obtained in phases. As at 30 April 2020, Tianjin Yijiahe has obtained land use rights for a total GFA of

952,639 sq.m., representing approximately 46.6% by total GFA. The remaining part of the land without land use rights are subject to resettlement of residents. Upon the payment of the Resettlement Costs (as further explained below) for relevant part of land, the Group can proceed to obtain the land use rights of that part of land. Out of the project's total site area of 1,115,476 sq.m., 584,237 sq.m. (with a corresponding 1,090,111 sq.m. GFA) was still pending land use rights as at 30 April 2020. Pursuant to the Equity Transfer Agreement, if Tianjin Yijiahe cannot obtain the land use rights certificates of certain land parcels within Neo-Metropolis with an aggregate site area exceeding 2,000 sq.m., Minmetals Shengshi has the right to demand compensation from the Vendor for a proportional amount of the consideration of the Equity Transfer Agreement. Further details are set out in the section headed "3. Principal terms of the Equity Transfer Agreement and the Capital Injection Agreement" of this letter below.

Pursuant to the Resettlement Agreement between Tianjin Yijiahe and the Yixingbu Government dated 8 March 2007 (as supplemented by the agreement entered into among Tianjin Yijiahe, the Yixingbu Government and the Bei Chen District People's Government of Tianjin dated 15 July 2016), the Yixingbu Government shall be responsible for the resettlement works in respect of the Yixingbu Land, being the Yixingbu Town Old Village located at Yixingbu Town, Bei Chen District, Tianjin, PRC constituting part of Neo-Metropolis to be developed by Tianjin Yijiahe. As advised by the Management, such resettlement works comprising mainly of the construction of resettlement houses for and the provision of monetary compensation to the residents to be relocated from the Yixingbu Land. Tianjin Yijiahe shall cooperate with the Yixingbu Government and participate in the construction of resettlement houses, and pay the Resettlement Costs to the Yixingbu Government in relation to the resettlement works, which will be settled by stages based on the progress of obtaining the land use rights certificate for certain parcels of land pursuant to the Resettlement Agreement, which in turn is based on the progress of the resettlement work. The Bei Chen District People's Government of Tianjin shall be responsible for the overall supervision of the resettlement works and liaising with the relevant authorities in respect of such works. Upon completion of the resettlement works, Tianjin Yijiahe shall have obtained the land use rights to Yixingbu Land, and the Yixingbu Government shall assist Tianjin Yijiahe with liaising with the relevant government departments to obtain the land use rights certificates.

Tianjin Yijiahe works closely with Yixingbu Government in managing the resettlement work. The resettlement works were originally intended to be completed by 31 December 2020 whereupon the Resettlement Costs will have to be settled. Based on the latest progress of the resettlement work, the Directors believe that the probability of having to settle the Resettlement Costs by 31 December 2020 is minimal and expects that there would be a 3 to 5 years delay in completion of the resettlement works, and accordingly, the Resettlement Costs are expected to be settled fully by 2025. The amount of Resettlement Costs to be borne by Tianjin Yijiahe will not exceed RMB14,900 million in total and any excess amount shall be borne by the Yixingbu Government in accordance with the

Resettlement Agreement. As set out in the "Letter from the Board" contained in the Circular, the Directors believe that in the event Tianjin Yijiahe is required to pay the full Resettlement Costs by 31 December 2020, Tianjin Yijiahe will be capable of funding the Resettlement Costs by internal resources and third party nonrecourse funding. As at 30 April 2020, an aggregate of approximately RMB5,900 million Resettlement Costs has been paid and recognised as inventories over the course of 7 years since the project commenced development in November 2012, which was funded by the internal resources and third party nonrecourse funding from Tianjin Yijiahe, and more than 99% of the residing residents in the Yixingbu Land have been relocated. Approximately 21% of the resettlement houses have been completed in construction in terms of total GFA. As stated in the "Letter from the Board" contained in the Circular, the Directors are of the opinion that the resettlement works will be completed by 2023 to 2025. The outstanding RMB9,000 million Resettlement Costs was deducted in the market value of Neo-Metropolis as stated in the valuation report as set out in Appendix V to the Circular in determining the consideration of the Acquisition.

In this respect, we have discussed with the Management and reviewed a memorandum prepared by the Company regarding the Group's internal assessment on the repayment schedule of the Resettlement Costs. We understand from the Management that such memorandum was prepared based on the Management's discussion with the relevant parties to the Resettlement Agreement and with reference to historical settlement record of Tianjin Yijiahe. As noted from the aforesaid memorandum and as discussed with the Management, it is noted that although there is no agreed repayment schedule, the Management has discussed with the relevant parties to the Resettlement Agreement in relation to the payment schedule of Resettlement Costs, and assessed the overall arrangement and timeframe of the construction of resettlement houses based on the terms of the Resettlement Agreement and existing progress and plans in respect of the construction of resettlement houses. We understand that the Management has discussed with Tianjin Yijiahe the historical settlement record of the Resettlement Costs. Based on such discussion of the resettlement record of Tianjin Yijiahe and the Management's review of the historical financial information of Tianjin Yijiahe, the Management considers that the settlement of Resettlement Costs has been based on construction progress of resettlement houses in the past. The Management also considers it to be consistent with the Company's experience or knowledge in dealing with resettlement work for property development project in the PRC. Given that Tianjin Yijiahe is responsible for the construction of resettlement houses, Tianjin Yijiahe is fully aware of the construction progress, and hence has understanding on the payment schedule of the Resettlement Costs. We understand that the Management has also discussed with Tianjin Yijiahe regarding the current status of construction of the resettlement houses and considers such estimation to be reasonable. The Management also considered that Tianjin Yijiahe shall have sufficient financial resources to repay the outstanding Resettlement Costs should it be required to repay by 31 December 2020, which is nevertheless considered to be unlikely based on the above assessment by the Management. In view of the above, it is therefore considered to be reasonable for the Management to assume that there will be delay in repayment of the Resettlement Costs based on the latest resettlement progress.

Financial information of Tianjin Yijiahe

We have reviewed and discussed with the Management the financial information of Tianjin Yijiahe. The accountants' report and the management discussion and analysis on Tianjin Yijiahe are set out in Appendix IIA and Appendix IIIA to the Circular respectively. Set out below is a summary of the statements of profit or loss and other comprehensive income of Tianjin Yijiahe for each of the three years ended 31 December 2017, 2018 and 2019, and for the four months ended 30 April 2019 and 2020.

	For the four months ended 30 April		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	914	71,853	78,930	53,350	992
Cost of sales	(376)	(55,610)	(55,798)	(51,127)	(753)
Gross profit	**538**	**16,243**	**23,132**	**2,223**	**239**
Other income, other gains and losses	(1,285)	—	163	(2,794)	31
Selling and marketing expenses	(11,714)	(8,868)	(29,933)	(23,580)	(4,137)
Administrative and other expenses	(3,241)	(7,380)	(39,437)	(60,193)	(11,366)
Finance costs, net	(13,857)	(50,327)	(131,695)	(360,740)	(454,190)
Loss before tax	**(29,559)**	**(50,332)**	**(177,770)**	**(445,084)**	**(469,423)**
Income tax (expense)/ credit	(10,052)	(12,369)	(20,868)	5,069	(190)
Loss and total comprehensive expense for the period/year	**(39,611)**	**(62,701)**	**(198,638)**	**(440,015)**	**(469,613)**

Revenue of the Tianjin Yijiahe has increased from approximately RMB1.0 million in 2017 to approximately RMB78.9 million in 2019, attributable to the increase in GFA of the properties delivered by Tianjin Yijiahe (mainly on commercial properties and carparks) in 2018. Revenue for the four months ended 30 April 2020 has decreased significantly as compared to the corresponding period in 2019, since the majority of the properties of Tianjin Yijiahe was under construction in year 2020.

From 2017 to 2019, selling and marketing expenses increased over the years, representing higher levels of sales office expense, advertising and promotion fee for selling new properties, staff cost and sales commission, which are in line with the revenue growth over the years. Administrative expenses fluctuated during the period, mainly due to write-down of inventories for free parking spaces and a higher consultancy fee in 2018 and 2019 due to the increase in contracted sales as the consultancy fee is related to contracted sales amount. Finance costs (net) mainly represent interest expenses on bank loans and entrusted loans and the changes over the years is due to the increase/decrease in the amounts qualified for capitalisation in properties under development in different periods.

For the four months ended 30 April 2020, selling and marketing expenses increased by approximately RMB2.8 million as compared to the corresponding period in 2019, representing an increase of approximately 32.1%, due to the launch of pre-sale in 2020. As affected by COVID-19, administrative and other expenses decreased by approximately RMB4.1 million as compared to the corresponding period in 2019. The Group recorded a decrease in net finance costs of approximately RMB36.5 million for the four months ended 30 April 2020 as compared to the same period in 2019, as the project has been under continuing construction (except for a short suspension due to COVID-19), and more finance costs are qualified for capitalisation as properties under development in 2020.

As a result of the above, Tianjin Yijiahe incurred losses of approximately RMB469.6 million, RMB440.0 million, RMB198.6 million and RMB39.6 million in 2017, 2018, 2019 and for the four months ended 30 April 2020 respectively, showing a decreasing trend of losses over the periods.

Set out below is a summary of the statements of financial position of Tianjin Yijiahe as at 31 December 2017, 2018, 2019 and 30 April 2020.

	As at 30 April 2020 *RMB'000* (Audited)	As at 31 December 2019 *RMB'000* (Audited)	As at 31 December 2018 *RMB'000* (Audited)	As at 31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS				
Property, plant and equipment	109	119	150	205
CURRENT ASSETS				
Inventories	8,411,158	7,515,572	5,230,434	3,583,581
Contract costs	86,587	68,171	36,391	—
Prepayments and other receivables	2,802,728	3,110,312	2,156,348	5,694,049
Restricted bank deposits	764,713	647,104	429,530	—
Cash and bank deposits	332,277	348,395	84,415	28,103
Total current assets	12,397,463	11,689,554	7,937,118	9,305,733
CURRENT LIABILITIES				
Borrowings	1,635,000	1,600,000	1,336,000	3,550,000
Trade and other payables	536,127	426,173	312,205	101,652
Contract liabilities	6,417,749	5,151,312	1,445,516	44,025
Taxation payable	9,848	50,781	14,370	—
Total current liabilities	8,598,724	7,228,266	3,108,091	3,695,677
Net current assets	3,798,739	4,461,288	4,829,027	5,610,056
NON-CURRENT LIABILITIES				
Borrowings	4,790,000	5,423,000	5,613,000	5,949,000
Deferred tax liabilities	34,641	24,589	3,721	8,790
	4,824,641	5,447,589	5,616,721	5,957,790
Net liabilities	**(1,025,793)**	**(986,182)**	**(787,544)**	**(347,529)**
TOTAL EQUITY	**(1,025,793)**	**(986,182)**	**(787,544)**	**(347,529)**

As at 30 April 2020, assets of Tianjin Yijiahe mainly consist of inventories, prepayments and other receivables. Inventories represent properties under development and completed properties held for sale. Prepayments and other receivables mainly represent amounts due from shareholders which are non-trade in nature, unsecured, interest-free and repayable on demand of approximately RMB2.3 billion. Over the review period, the increase in total assets is mainly due to higher level of inventories along with the construction progress over the years.

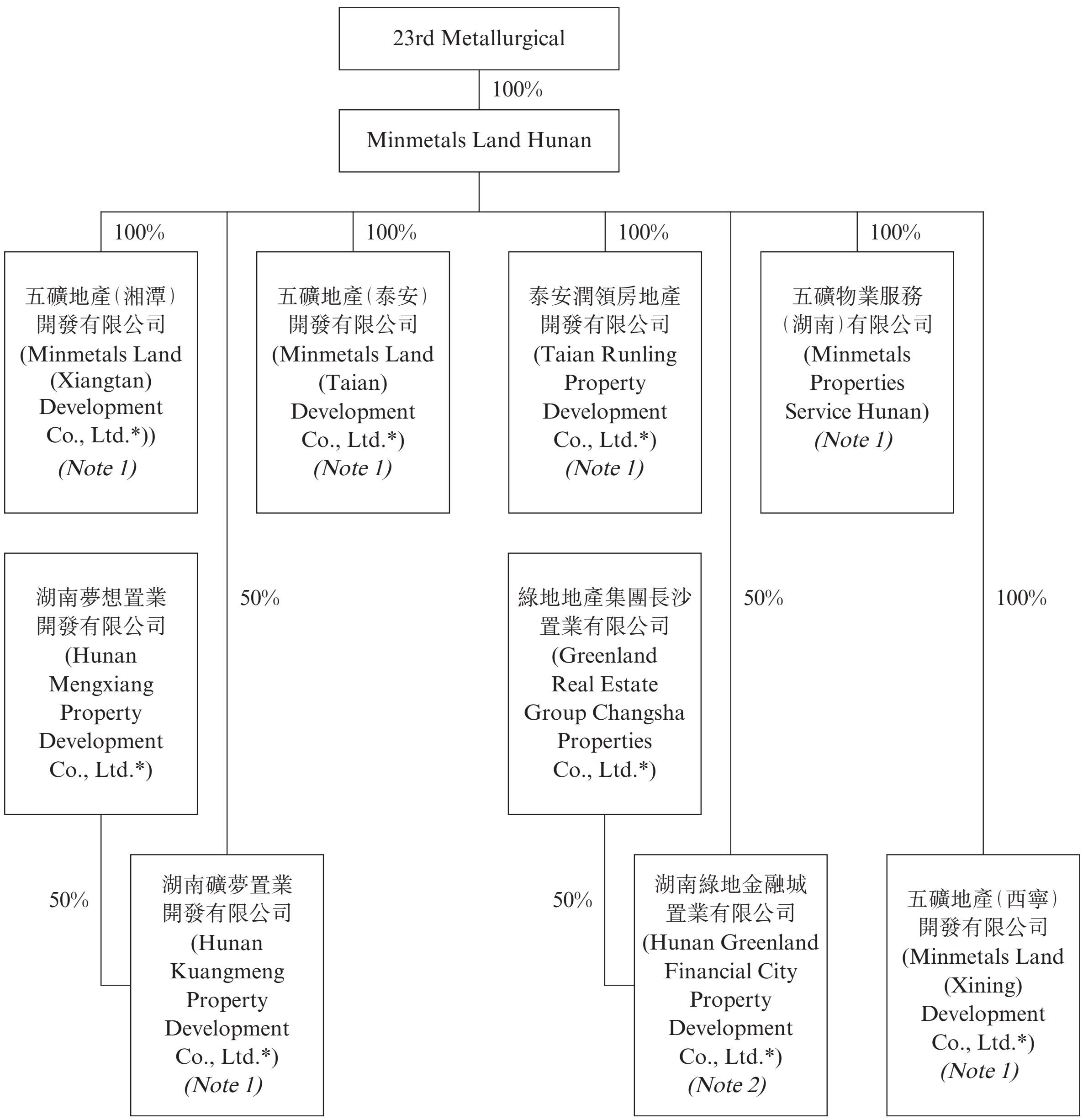
As at 30 April 2020, liabilities of Tianjin Yijiahe mainly consist of (i) borrowings including (a) bank borrowings of approximately RMB2.5 billion; and (b) other borrowings of approximately RMB3.9 billion; (ii) contract liabilities representing considerations received in advance from sales of properties to customers and will be recognised until the customer obtains control of the completed property; and (iii) trade and other payables of approximately RMB536.1 million. The increase in liabilities over the review period is mainly attributable to the increase in contract liabilities with the pre-sale activities over the years.

As at 30 April 2020, net liabilities of Tianjin Yijiahe amounted to approximately RMB1.0 billion. Such net liabilities position is mainly due to the fact that its property project is still at an early stage of its development cycle and most of its pre-sold properties not having been completed or delivered to buyers as at 30 April 2020. The evaluation of consideration for acquiring the Sale Interests based on the adjusted net asset position is set out in the section headed "4. Evaluation of consideration" of this letter below.

(II) The Minmetals Land Hunan Group

The Minmetals Land Hunan Group is principally engaged in property development and property management in the PRC. As at the Latest Practicable Date, Minmetals Land Hunan was directly wholly-owned by 23rd Metallurgical. It also engages in the provision of property management services through Minmetals Properties Service (Hunan) Co., Ltd., its clients include certain subsidiaries of the Company, subsidiaries of China Minmetals and other independent third parties. 23rd Metallurgical's interest in Minmetals Land Hunan is managed by the Group pursuant to certain entrusted management agreements entered into between the Group and the China Minmetals Group. Further details are set out in the "Letter from the Board" contained in the Circular.

Set out below is a simplified shareholding structure of the major operating members of the Minmetals Land Hunan Group and its associate upon completion of disposal of the entire issued capital of Hunan Dongrun (as one of the conditions precedent to the Capital Injection) and immediately before completion of the Capital Injection.



Notes:

(1) Accounted for as a subsidiary of Minmetals Land Hunan

(2) Accounted for as an associate of Minmetals Land Hunan

To satisfy one of the conditions precedent to completion of the Capital Injection, Minmetals Land Hunan shall complete the disposal of the entire issued capital of Hunan Dongrun (being a wholly-owned subsidiary of Minmetals Land Hunan as at the Latest Practicable Date) to 23rd Metallurgical at nil consideration. 23rd Metallurgical does not intend to dispose any equity interest in Hunan Dongrun as the headquarter of 23rd Metallurgical is located in a building owned by Hunan Dongrun, which is an investment property instead of property for sale and therefore the Management considers that it is different from the property projects that are being acquired under the Transactions. As advised by the Management, although Hunan Dongrun also holds another two projects, the Management understands that those projects are close to completion and consider that there may be limited growth prospects and development for those projects. Given that the Target Property Projects already include certain projects which have been completed, the Management is of the view that it may not be appropriate to acquire Hunan Dongrun given its overall existing business operations.

Property portfolio of the Minmetals Land Hunan Target Group and its associate

As at the Latest Practicable Date, the Minmetals Land Hunan Target Group and its associate have interest in a property portfolio of 10 properties in various major cities in the PRC including Changsha, Xiang Tan, Tai'an and Xining. As at 30 April 2020, the GFA of the remaining land bank of the property portfolio of the Minmetals Land Hunan Target Group and its associate is approximately 1.21 million sq.m.. In 2019, it achieved a total contracted sales of approximately RMB1,774.63 million (approximately HK$1,948.90 million) whilst the GFA contracted for sale was 208,286 sq.m. with an ASP of approximately RMB8,520 (approximately HK$9,357) per sq.m. In the four months ended 30 April 2020, it achieved a total contracted sales of approximately RMB189.97 million (approximately HK$208.63 million) whilst the GFA contracted for sale was 20,345 sq.m. with an ASP of RMB9,337 (approximately HK$10,254) per sq.m..

It is expected that for the coming 12 months, the development costs for the property development projects of the Minmetals Land Hunan Target Group and its associate will be approximately RMB1,420 million (approximately HK$1,559 million), which will be financed by the Minmetals Land Hunan Group from sales proceeds from property units and the proceeds of the Capital Injection.

The approximate geographical composition of the property portfolio of the Minmetals Land Hunan Target Group and its associate as at 30 April 2020 is set out as follows:

						Land bank (based on 100% basis) *(note 3)*			
Project	**Project address**	**Property type** *(note 1)*	**Minmetals Land Hunan's shareholding**	**Total site area (in sq.m.)**	**Total GFA (in sq.m.)** *(note 2)*	**Completed GFA (unsold and sold but undelivered) (in sq.m.) (a)**	**GFA under construction (in sq.m.) (b)**	**Planned GFA (in sq.m.) (c)**	**Total land bank (in sq.m.) (a)+(b)+(c)**
Changsha									
1.萬境瀟湘 Realm of Landscape	Kai Fu District, Changsha Hunan Province, the PRC	R	50%	87,011	308,341	—	249,554	—	249,554
2.綠地中心 Changhsha Greenland Centre	Kai Fu District, Changsha, Hunan Province, the PRC	C	50%	23,071	258,579	69,000	—	—	69,000
3.嘉盛國際廣場 Jiasheng International Square	Tian Xin District, Changsha, Hunan Province, the PRC	R	100%	8,836	75,146	—	—	—	—
4.嘉盛奧美城 Jiasheng Aomei City	Tian Xin District, Hunan Province, the PRC	R	100%	6,075	58,928	1,792	—	—	1,792
5.嘉盛華庭 Jiasheng Huating	Yu Hua District, Changsha, Hunan Province, the PRC	R	100%	38,674	251,201	452	—	—	452
Xiang Tan									
6.湘潭•萬境水岸 Xiangtan Scenery Cove	Xiang Tan, Hunan Province, the PRC	R	100%	367,272	900,259	9,251	222,229	200,957	432,437
7.五礦地產尊城項目 Minmetals Zuncheng Project	Xiang Tan, Hunan Province, the PRC	R	100%	69,095	178,898	1,745	—	—	1,745
Tai'an									
8.五礦萬境廣場 Taian Scenery Centre	Zhangchen Road, Gaoxin District, Tai'an, Shandong Province, the PRC	C	100%	50,692	147,597	1,455	137,787	—	139,242
9.泰安•萬境水岸 Taian Scenery Cove	Zhangchen Road, Gaoxin District, Tai'an, Shandong Province, the PRC	R	100%	270,109	680,711	7,018	262,614	—	269,632
Xining									
10.五礦柴達木廣場 Minmetals Chai Da Mu Plaza	Wu Si Road West, Hai Hu New District, Xining, Qinghai Province, the PRC	C	100%	151,654	464,225	50,443	—	—	50,443
Total				**1,072,489**	**3,323,885**	**141,156**	**872,184**	**200,957**	**1,214,297**

Notes:

(1) Property type includes residential "R" and commercial "C".

(2) The total GFA represents floor area that is accountable for plot ratio calculation, excluding floor area such as air defence basement and basement car parking space where no full legal titles can be obtained.

(3) The properties referred to here are those properties with full legal titles available for sale. Accordingly, completed unsold and sold but undelivered properties and properties under construction with an aggregate GFA of 33,880.82 sq.m and 7,693 car parking space, where no full legal titles can be obtained and the relevant companies will only have the right to use and lease, are not included.

Overall, approximately 59.1% of the properties held by Minmetals Land Hunan Target Group and its associate is or will be developed for residential use and approximately 40.9% is developed for commercial purpose.

As shown in the table above, project #1 is located in Kai Fu district of Changsha in Hunan Province. It is in its early stage of development as at the Latest Practicable Date and is expected to be completed in 2022 as advised by the Management. It has a site area of approximately 87,011 sq.m. and a total planned GFA of approximately 308,341 sq.m. as at 30 April 2020. It is being developed for large-scale residential and commercial apartments. As advised by the Management, an aggregate GFA of approximately 33,654 sq.m. of residential units have been presold as at 30 April 2020, and the sale and pre-sale activities are expected to continue till end of 2021 based on the project's latest sales schedule.

Project #2 is located in Kai Fu district of Changsha in Hunan Province, and the project was completed in stages from 2016 to 2018 for commercial and office uses. As advised by the Management, GFA of approximately 69,000 sq.m. remains unsold as at 30 April 2020. The unsold portions of the property also comprise 605 car parking spaces on basement which could not be transferred with proper legal title but could be sold with its rights to use pursuant to the prevailing rules in the PRC. As advised by the Management, the sale activities are expected to continue in 2020 and completed in 2021, and the Group will take a more proactive sales and marketing initiative, including more installation of innovative on-site exterior design to repackage and re-position the building to target a differentiated tenant base, with a strategic focus on healthcare tenants given the project's close proximity to Xiangya Hospital and Hunan Maternity and Child Health Care Hospital, as well as leveraging on potential referrals from banks and financial institutions with existing corporate relationships.

Project #3 and #4 are located in Tian Xin district of Changsha in Hunan Province. Project #3 was completed in 2011 and the property comprises 193 unsold car parking spaces on basement, which could not be transferred with proper legal titles but could be sold with its right to use pursuant to the prevailing rules in the PRC. It is currently being used as fee-paying car park. Project #4 was completed in 2014 with an unsold GFA of approximately 1,792 sq.m. and 57 unsold car parking spaces that could not be transferred with proper legal title but could be sold with its rights to use pursuant to the prevailing rules in the PRC. The unsold portion represents commercial portions and transition floor in a residential and commercial-mixed use building. As advised by the Management, the unsold commercial portions are currently leased out to various tenants. The unsold portions are intended to remain leased out before the Management has concrete sales plan on such portions.

Project #5 is located in Yu Hua district of Changsha in Hunan Province. The project was completed in 2010 with 112 unsold car parking spaces on basement, which could not be transferred with proper legal title but could be sold with its rights to use pursuant to the prevailing rules in the PRC, and kindergarten of an aggregate GFA of approximately 452 sq.m. in a large-scale residential and commercial area. As advised by the Management, the kindergarten is currently leased out. The kindergarten is intended to remain leased out before the Management has concrete sales plan on such portion.

Project #6 is located in Xiang Tan in Hunan Province. The project is being developed in several stages, certain portions have been completed in 2014 with a total GFA of approximately 9,251 sq.m. being unsold, out of which a total GFA of approximately 2,429 sq.m. was contracted to be sold as at 30 April 2020. The unsold portions mainly comprise commercial units, residential units and kindergarten, with 249 car parking spaces on basement which could not be transferred with proper legal titles but could be sold with its rights to use pursuant to the prevailing rules in the PRC. The sale activities are expected to be completed in 2022 as advised by the Management. On the other hand, certain portions of the property are still under development as at the Latest Practicable Date and are expected to be completed in 2021/2022, which have a total planned GFA of about 222,229 sq.m.. It will be developed into a large-scale residential estate with certain parts for commercial use. As advised by the Management, an aggregate GFA of approximately 126,301 sq.m. of residential units were presold as at 30 April 2020. Based on the current project timetable, the sale and pre-sale activities of the unsold portion that is under development is expected to be completed in 2021. Project #6 also has a site area of about 80,935 sq.m. and is intended to be developed into a commercial complex with an intended GFA of approximately 200,957 sq.m..

Project #7 is located in Xiang Tan in Hunan Province and it was completed in 2016. It is a medium-scale residential, office and commercial mixed-use development. The unsold portions of the property have an aggregate GFA of approximately 1,745 sq.m., out of which approximately 284 sq.m. of GFA were contracted to be sold as at 30 April 2020. The property also accommodates 19 car parking spaces and 20 miscellaneous garages on basement which could not be transferred with proper legal titles but sold with rights to use pursuant to the prevailing rules in the PRC.

Project #8 is located at Zhangchen Road, Gaoxin District in Tai'an in Shandong Province. Part of the property with an aggregate GFA of about 1,455 sq.m. was completed in 2017, such part of the property was unsold and vacant for sale as at 30 April 2020. The remaining part of the property is planned to be developed into a low-rise commercial development with a planned GFA of approximately 137,787 sq.m and is expected to be completed in 2024. As advised by the Management, based on the project's latest sales schedule, the sale and pre-sale activities are expected to continue till end of 2022.

Project #9 is located in Zhangchen Road, Gaoxin District in Tai'an in Shandong Province. Certain parts of the property were completed in stages from 2016 to 2018 with around 7,018 sq.m. of GFA being unsold, out of which approximately 5,314 sq.m. was contracted to be sold as at 30 April 2020. The unsold portions mainly comprise villa. In addition, the project has an aboveground planned GFA of approximately 262,614 sq.m. which is under development and expected to be completed in 2022. Such portion of the property will be developed into a large-scale residential estate and an aggregate GFA of about 97,825 sq.m. of residential units and about 594 sq.m. of storage use were presold as at 30 April 2020. As advised by the Management, based on the project's latest sales schedule, the sale and pre-sale activities are expected to continue till end of 2022.

Project #10 is located in Wu Si Road West, Hai Hu New District, Xining, Qinghai Province. The project was completed in 2016 and it was a large-scale residential, apartment, office, commercial and hotel mixed use development. All of the completed unsold portion has been contracted to be sold as at 30 April 2020. In addition, there are 634 car parking spaces on basement level of the property, of which 281 car parking spaces have been contracted to be sold and 353 car parking spaces are unsold as at 30 April 2020. The Management advised that the remaining car parking spaces are expected to be sold this year.

Property management operations

Minmetals Properties Service Hunan was established under the laws of the PRC with limited liability and is principally engaged in the provision of property management services and is a direct wholly-owned subsidiary of Minmetals Land Hunan. Its clients include certain subsidiaries of the Company, subsidiaries of China Minmetals and other independent third parties. As at 31 December 2019, the total GFA of the properties to which Minmetals Properties Service Hunan provided property management services was approximately 4.67 million sq.m..

Financial information of the Minmetals Land Hunan Group

We have reviewed and discussed with the Management the financial information of the Minmetals Land Hunan Group. The accountants' report and the management discussion and analysis on the Minmetals Land Hunan Group are set out in Appendix IIB and Appendix IIIB to the Circular respectively. As mentioned in the section headed "3. Principal terms of the Equity Transfer Agreement and the Capital Injection Agreement" of this letter below, to satisfy one of the conditions precedent to completion of the Capital Injection, Minmetals Land Hunan shall complete the disposal of the entire issued capital of Hunan Dongrun (being a wholly-owned subsidiary of Minmetals Land Hunan as at the Latest Practicable Date) to 23rd Metallurgical at nil consideration. Financial information of the segments to be acquired from the Minmetals Land Hunan Group through the Capital Injection, excluding the disposal group of Hunan Dongrun, is separately set out in note 6 to the accountants' report contained in Appendix IIB to the Circular, which is considered to be more meaningful for the Independent Shareholders to assess the fairness and reasonableness of the Capital Injection. Set out below is a summary of the consolidated statements of profit or loss and other comprehensive income of the segments to be acquired by the Group for each of the three years ended 31 December 2017, 2018 and 2019, and for the four months ended 30 April 2019 and 2020.

	For the four months ended 30 April		Year ended 31 December		
	2020	2019	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	567,869	465,669	1,275,671	801,025	1,620,577
Cost of sales	(395,404)	(359,287)	(837,061)	(635,319)	(1,258,528)
Gross profit	**172,465**	**106,382**	**438,610**	**165,706**	**362,049**
Other income, other gains and losses	35,311	642	1,112	(1,781)	69,685
Fair value changes on investment properties	84	—	(1,372)	(594)	601
Selling and marketing expenses	(3,459)	(6,555)	(51,770)	(26,414)	(34,630)
Administrative and other expenses	(20,134)	(15,781)	(70,204)	(77,808)	(61,954)
Finance costs, net	4,534	12,099	22,596	31,798	42,790
Share of results of an associate	13,390	(2,909)	52,367	1,171	22,522
Profit before tax	**202,191**	**93,878**	**394,083**	**92,078**	**401,063**
Income tax expense	(68,750)	(29,695)	(120,160)	(38,056)	(120,025)
Profit and total comprehensive income for the period/year	**133,441**	**64,183**	**273,923**	**54,022**	**281,038**

Revenue of the Minmetals Land Hunan Group (excluding Minmetals Laiwu and Hunan Dongrun) mainly comprises income from customers arising from property development and income from leases. The change in revenue level in 2017 to 2019 is primarily due to fluctuation in amount of sales of completed properties delivered according to the development cycle and delivery schedule of the property portfolio of Minmetals Land Hunan Group (excluding Minmetals Laiwu and Hunan Dongrun). The gross profit margin fluctuated between approximately 20.7% and 34.4% for the relevant period, which is mainly due to changes in the product mix of the properties being sold. Other income, other gains and losses were higher in 2017 and during the four months ended 30 April 2020 as a result of the one-off gain from disposal of a subsidiary in 2017 and the one-off gain from disposal of Minmetals Laiwu during the four months ended 30 April 2020 respectively.

Selling and marketing expenses primarily include staff cost, advertising and promotion fee, sales office expense and commission expense. The fluctuation during the period was mainly due to the fluctuations of selling and marketing activities for contracted sales during the period and the cancellation of some marketing activities as a result of COVID-19 in early 2020. Administrative and other expenses primarily include staff cost, professional fees, office expense, other tax expenses and impairment expense. Net finance cost mainly represents interest expense on bank borrowings and other borrowings net of interest income from loan to an intermediate holding company and bank deposits. Fluctuations in the net profits was mainly due to fluctuations in revenue and gross profit as affected by the amount of sales of properties and the fluctuation of other income and expenses as mentioned above.

Set out below is a summary of the consolidated statements of financial position of the Minmetals Land Hunan Group as at 31 December 2017, 2018, 2019, and 30 April 2020.

	As at 30 April 2020	**As at 31 December 2019**	**As at 31 December 2018**	**As at 31 December 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
NON-CURRENT ASSETS				
Property, plant and equipment	6,263	6,859	8,309	11,616
Intangible assets	34	47	104	176
Investment properties	86,840	81,900	417,400	387,600
Interest in an associate	182,672	169,282	584,765	583,594
Loan to an intermediate holding company	—	—	460,000	460,000
Deferred tax assets	110,329	125,730	99,616	81,328
Total non-current assets	386,138	383,818	1,570,194	1,524,314
CURRENT ASSETS				
Inventories	3,998,972	4,142,288	4,704,630	3,491,373
Prepayments, trade and other receivables	894,844	1,266,279	1,025,061	680,107
Restricted bank deposits	254,007	233,032	131,428	95,273
Cash and bank deposits	300,141	152,526	325,634	854,191
Total current assets	5,447,964	5,794,125	6,186,753	5,120,944
Assets included in disposal group classified as held for sale	—	369,363	—	—
Assets included in disposal group classified as held for distribution to owner	1,540,596	1,377,819	—	—
CURRENT LIABILITIES				
Borrowings	970,616	1,582,759	1,276,234	1,292,593
Trade and other payables	1,106,285	1,049,172	2,058,192	1,578,800
Contract liabilities	1,879,369	2,223,987	2,833,072	2,264,061
Taxation payable	135,190	135,584	19,597	48,410
Other liabilities	—	27,857	—	—

	As at 30 April 2020	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Total current liabilities	4,091,460	5,019,359	6,187,095	5,183,864
NON-CURRENT LIABILITIES				
Borrowings	470,000	—	432,143	432,143
Deferred income	255,500	255,500	—	—
Other liabilities	—	—	27,857	27,857
Total non-current liabilities	725,500	255,500	460,000	460,000
Liabilities associated with disposal group classified as held for sale	—	320,269	—	—
Liabilities associated with disposal group classified as held for distribution to owner	1,024,876	929,514	—	—
Net assets	**1,532,862**	**1,400,483**	**1,109,852**	**1,001,394**
EQUITY				
Equity attributable to owners of Minmetals Land Hunan	1,343,885	1,210,536	1,109,852	1,001,394
Non-controlling interest	188,977	189,947	—	—
	1,532,862	**1,400,483**	**1,109,852**	**1,001,394**

As at 30 April 2020, assets of the Minmetals Land Hunan Group mainly consist of inventories, prepayments, trade and other receivables and cash and bank deposits. Inventories are properties under development and held for sale, representing land and construction costs incurred in relation to the property projects held by the Minmetals Land Hunan Group. Prepayments, trade and other receivables mainly represent loan and amounts due from an intermediate holding company of approximately RMB839.5 million.

Liabilities of the Minmetals Land Hunan Group as at 30 April 2020 mainly consist of (i) borrowings including (a) loan of approximately RMB470.0 million bearing an interest rate of 4.94% per annum being drawn down in January 2020; (b) loans from an immediate holding company of approximately RMB621.1 million carrying interest at 5.8% per annum and are repayable on demand; and (c) loan from a non-controlling shareholder of a subsidiary of approximately RMB349.5 million carrying an interest rate of 8% per annum and are repayable on demand; (ii) contract liabilities representing considerations received in advance from sales of properties to customers; and (iii) trade and other payables which mainly related to accrued construction costs and other payables.

Net assets associated with disposal group classified as held for sale as at 31 December 2019 amounted to approximately RMB49.1 million, representing net assets of Minmetals Laiwu. Minmetals Laiwu has been disposed of subsequently in March 2020. As at 30 April 2020, net assets associated with disposal group classified as held for distribution to owner amounted to approximately RMB515.7 million, representing net assets of Hunan Dongrun. Hunan Dongrun will be disposed of by way of distribution to 23rd Metallurgical at nil consideration as one of the conditions precedent to the completion of the Capital Injection.

As at 30 April 2020, net assets of the Minmetals Land Hunan Group amounted to approximately RMB1,532.9 million. Excluding the disposal group classified as held for distribution to owner, the net assets value of the segments to be acquired from the Minmetals Land Hunan Group is approximately RMB1,017.1 million as at 30 April 2020. The evaluation of consideration for the Capital Injection based on the adjusted net assets position is set out in the section headed "4. Evaluation of consideration" of this letter below.

3. Principal terms of the Equity Transfer Agreement and the Capital Injection Agreement

(I) Equity Transfer Agreement

On 18 June 2020 (after trading hours), Minmetals Shengshi and the Vendor entered into the Equity Transfer Agreement. Set out below are the principal terms of the Equity Transfer Agreement. Further details of the Equity Transfer Agreement are set out in the "Letter from the Board" contained in the Circular.

(i) Subject matter

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and Minmetals Shengshi has conditionally agreed to acquire, the Sale Interests (representing the entire equity interest held by the Vendor in 49% of Tianjin Yijiahe).

(ii) Consideration and payment terms

The consideration for the Sale Interests is RMB1,475.45 million (equivalent to approximately HK$1,620.34 million). As set out in the "Letter from the Board" contained in the Circular and as advised by the Management, the above consideration is determined upon arm's length negotiations between the parties with reference to 49% of the adjusted net asset value of Tianjin Yijiahe of approximately RMB1,526.95 million (equivalent to approximately HK$1,676.90 million). Such adjusted net asset value was arrived at based on the audited negative net assets value of Tianjin Yijiahe as at 30 April 2020 of RMB1,025.79 million (equivalent to approximately HK$1,126.52 million), adjusted with the fair value adjustment arising from the valuation of the property development project held by Tianjin Yijiahe by Vigers, an independent valuer, as at 30 April 2020, net of estimated deferred tax (including land appreciation tax and corporate income tax) associated with the fair value adjustment. The consideration represents a discount of approximately 3.4% to the adjusted net asset value attributable to the Sale Interests as at 30 April 2020. The consideration shall be satisfied by internal financial resources of the Group or bank borrowings, and the Group has no immediate plan to carry out any equity fund raising exercise. Further analysis on the consideration for the Acquisition is set out in the section headed "4. Evaluation of the consideration" of this letter below.

The consideration shall be paid by Minmetals Shengshi to the Vendor in the following manner:

(1) a sum of approximately RMB737.73 million shall be paid within 15 business days after the conditions set out below have been satisfied:

(a) all the conditions precedent to the Equity Transfer Agreement having been fulfilled;

(b) the constitutional document(s) of Tianjin Yijiahe having been duly executed by Minmetals Shengshi and the JV Partner;

(c) the Shareholders Agreement in respect of Tianjin Yijiahe having been duly executed by Minmetals Shengshi and the JV Partner and having taken effect;

(d) the Acquisition Completion Agreement having been entered into between the parties upon completion of all the necessary completion procedures in respect of the Acquisition; and

(e) all persons nominated by Minmetals Shengshi pursuant to the Equity Transfer Agreement having been elected or appointed as directors, supervisors and senior management of Tianjin Yijiahe (as the case may be) and all relevant registration and filings having been made with the SAMR upon completion of all relevant equity transfer registration with the SAMR.

(2) the remaining balance of approximately RMB737.73 million shall be paid in two equal installments on 30 September 2021 and 2022, respectively.

Upon payment of the first installment of the consideration, the Vendor shall repay the outstanding loan (if any) due to Tianjin Yijiahe, and Tianjin Yijiahe shall extend a loan to Minmetals Shengshi on a pro-rated basis with the loan then extended by Tianjin Yijiahe to its other shareholder.

(iii) Conditions precedent and completion

Completion of the Acquisition is subject to and conditional upon fulfilment of a number of conditions as set out in the "Letter from the Board" contained in the Circular, including, among other things, the following principal conditions:

(1) all necessary approvals and consents required from all relevant PRC governmental authorities and any other third party as may be necessary to give effect to the transactions contemplated under the Equity Transfer Agreement having been obtained;

(2) the Independent Shareholders having approved the Equity Transfer Agreement and the Acquisition; and

(3) all the conditions precedent to the Capital Injection Agreement having been fulfilled.

None of the conditions precedent may be waived in any event. As at the Latest Practicable Date, one of the conditions precedent as set out in the "Letter from the Board" contained in the Circular has been fulfilled.

Upon completion of the Acquisition, Tianjin Yijiahe will be indirectly owned by the Company as to 49% of its equity interest and its financial results will be accounted for using equity method and will not be consolidated into the financial statements of the Group.

Pursuant to the Equity Transfer Agreement, the Vendor shall ensure that during the period between 30 April 2020 and the completion of the Acquisition, Tianjin Yijiahe shall not declare nor distribute any dividend without Minmetal Shengshi's written consent and that there are no material changes in Tianjin Yijiahe's financial position.

(iv) Other clauses

Pursuant to the Equity Transfer Agreement, if after final payment of the consideration, the land use rights certificates of land within Neo-Metropolis with an aggregate site area exceeding 2,000 sq.m. remains outstanding, Minmetals Shengshi can demand compensation from the Vendor for a proportional amount of the consideration of the Equity Transfer based on the proportion of the total aggregate site area which the land use rights certificates remain outstanding to the total site area of 1,115,476 sq.m. of Neo-Metropolis based on the following formula:

$$\frac{A}{B} \quad \text{x} \quad C$$

— where "A" equals the total aggregate site area of land within Neo-Metropolis which the land use rights certificates remain outstanding;

— "B" equals the total aggregate site area of Neo-Metropolis; and

— "C" equals the consideration of the Acquisition.

Pursuant to the Equity Transfer Agreement, Minmetals Shengshi can also demand compensation from the Vendor for an amount equivalent to any loss suffered by Tianjin Yijiahe and Minmetals Shengshi if Tianjin Yijiahe fails to complete the acceptance examination and obtain the real estate title certificate of a commercial house within Neo-Metropolis upon completion of the Neo-Metropolis project.

Assessment on the compensation arrangement

We have discussed with the Management and understand that the Company considers that the compensation clauses above offer flexibility and protection to the Group as, based on the Group's experience, it is rather common that the actual land areas with land use rights certificates obtained may differ from the original planned figures. It is also considered by the Company that 2,000 sq.m. is immaterial (less than 0.2% of total site area outstanding of land use rights certificates) when compared to the total site area of Neo-Metropolis of approximately 1.1 million sq.m. and therefore the arrangement is acceptable to the Company.

In respect of the compensation arrangement above regarding the commercial house within Neo-Metropolis, it is noted that real estate title certificate has not yet been obtained for such commercial house within Neo-Metropolis since certain administrative procedures, including but not limited to acceptance examination procedures, have not been completed. According to the PRC legal opinion from the Company's PRC legal adviser, the relevant real estate title certificate of the property can be obtained after completion of the required procedures. Assuming that all the required procedures have been completed, there would be no material legal impediment to Tianjin Yijiahe obtaining the relevant real estate title certificate for the commercial house. For other properties involved in the Acquisition, the legal titles are supported by the PRC legal opinion from the Company's PRC legal adviser. In determining the compensation and payment arrangement, the Company has considered that time is needed in order to make arrangements for obtaining land use rights certificates, including but not limited to, the resettlement works. After considering the above, the proportionate compensation based on the status of the land use rights certificates obtained and amount of potential loss as stated above allows protection of the interests of the Group. Given the above, we concur with the Directors' view that the compensation arrangement has been determined on a reasonable basis.

Shareholders' Agreement

Incidental to completion of the Acquisition, Minmetals Shengshi and the JV Partner shall enter into the Shareholders' Agreement setting out the terms of the operations of Tianjin Yijiahe, including:

Board composition

The board of directors of Tianjin Yijiahe shall consist of five directors, of which two shall be nominated by Minmetals Shengshi and three shall be nominated by the JV Partner. The chairman of the board of directors of Tianjin Yijiahe shall be a director nominated by Minmetals Shengshi. In addition, each of Minmetals Shengshi and the JV Partner shall nominate a supervisor of Tianjin Yijiahe.

Funding

Tianjin Yijiahe will finance its operation as required firstly by bank borrowings based on its own assets, failing which and subject to the agreement of Minmetals Shengshi and the JV Partner, by shareholders' loan from Minmetals Shengshi and the JV Partner on a pro-rata basis.

Restriction on transfer of equity interest

Except with the written consent of the other shareholder, none of the shareholders of Tianjin Yijiahe shall sell, transfer or otherwise dispose of any of its equity interest in Tianjin Yijiahe other than to the other shareholder. Each party shall have a right of first offer to acquire the equity interests in Tianjin Yijiahe to be sold by the other party in accordance with the Shareholders' Agreement.

(II) Capital Injection Agreement

On 18 June 2020 (after trading hours), Minmetals Shengshi entered into the Capital Injection Agreement with Minmetals Land Hunan and 23rd Metallurgical. Set out below are the principal terms of the Capital Injection Agreement. Further details of the Capital Injection Agreement are set out in the "Letter from the Board" contained in the Circular.

(i) Subject matter

Minmetals Shengshi has conditionally agreed to inject RMB1,327.32 million (equivalent to approximately HK$1,457.66 million) into Minmetals Land Hunan. Upon completion of the Capital Injection, Minmetals Shengshi will hold 51% of the equity interests of Minmetals Land Hunan.

(ii) Amount for capital injection and payment terms

The Capital Injection of approximately RMB1,327.32 million (representing approximately HK$1,457.66 million) is determined based on arm's length negotiations between the parties with reference to 51% of the adjusted net asset value attributable to owners of Minmetals Land Hunan (after taking into account the proceeds of the Capital Injection) of approximately RMB1,486.63 million (equivalent to approximately HK$1,632.62 million). As advised by the Management, such adjusted net asset value was arrived at based on the audited consolidated net asset value attributable to owners of Minmetals Land Hunan as at 30 April 2020 (including the amount of Capital Injection by Minmetals Shengshi), adjusted to exclude Hunan Dongrun, which will be disposed by way of distribution to 23rd Metallurgical at nil consideration to satisfy one of the conditions precedent to completion of the Capital Injection, and further adjusted with the fair value adjustment arising from the valuation of the property development projects held by Minmetals Land Hunan Target Group and its associate by an independent valuer as at 30 April 2020, net of estimated deferred tax (including land appreciation tax and corporate income tax) associated with the fair value adjustment. The capital injection amount represents a discount of approximately 10.7% to the adjusted net asset value attributable to 51% of the equity interests of Minmetals Land Hunan (excluding Hunan Dongrun) as at 30 April 2020 and after taking into account the consideration of the Capital Injection. Further analysis on the amount for the Capital Injection is set out in the section headed "4. Evaluation of the consideration" of this letter below.

The Capital Injection would be used by Minmetals Land Hunan for development of property development projects, repayment of loans and as general working capital and shall be satisfied by internal financial resources of the Group or bank borrowings, and shall be paid by Minmetals Shengshi to Minmetals Land Hunan in the following manner:

(a) an aggregate sum of approximately RMB1,061.86 million (representing approximately HK$1,166.13 million) shall be paid within 15 business days after the following conditions have been satisfied (the "**First Installment Conditions**"):

   1. all the conditions precedent to the Capital Injection Agreement having been fulfilled;

   2. the constitutional document(s) of Minmetals Land Hunan having been amended and duly executed by Minmetals Shengshi and 23rd Metallurgical;

   3. the Capital Injection Completion Agreement having been entered into between the parties upon completion of all the necessary completion procedures in respect of the Capital Injection; and

4. all persons nominated by Minmetals Shengshi pursuant to the Capital Injection Agreement having been elected or appointed as directors, supervisors or senior management of Minmetals Land Hunan and all relevant registration and filings having been made with the SAMR upon completion of all relevant capital injection registration with the SAMR;

(b) an aggregate sum of approximately RMB265.46 million (representing approximately HK$291.53 million) shall be paid within 15 business days after the following conditions have been satisfied:

1. all the First Installment Conditions having been fulfilled;

2. there have not been certain events referred to in the Capital Injection Agreement within 6 months from the day following the date of completion of the Capital Injection resulting in Minmetals Land Hunan suffering economic loss; and

3. there has not been any breach of the Capital Injection Agreement by 23rd Metallurgical (including any that have been resolved but of which the associated cost or loss was borne by the Vendor) within 6 months from the day following the date of completion of the Capital Injection.

(iii) Conditions precedent and completion

Completion of the Capital Injection is subject to and conditional upon fulfilment of a number of conditions as set out in the "Letter from the Board" contained in the Circular, including, among other things, the following principal conditions:

(1) all necessary approvals and consents required from all relevant PRC governmental authorities and any other third party as may be necessary to give effect to the transactions contemplated under the Capital Injection Agreement having been obtained;

(2) the Independent Shareholders having approved the Capital Injection Agreement and the Capital Injection;

(3) all the conditions precedent to the Equity Transfer Agreement having been fulfilled; and

(4) Minmetals Land Hunan has, in accordance with relevant laws, completed the disposal of the entire issued capital of Hunan Dongrun (being its wholly-owned subsidiary as at the Latest Practicable Date) and completed the relevant registration and filings with the SAMR.

None of the conditions precedent may be waived in any event. As at the Latest Practicable Date, none of the conditions above have been fulfilled.

Upon completion of the Capital Injection, Minmetals Shengshi will hold 51% of the equity interests of Minmetals Land Hunan and Minmetals Land Hunan will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

Pursuant to the Capital Injection Agreement, 23rd Metallurgical shall ensure that during the period between 30 April 2020 and the completion of the Capital Injection, the Minmetals Land Hunan Group shall not, other than the disposal of Hunan Dongrun by way of distribution, declare nor distribute any dividend without Minmetal Shengshi's written consent and that there are no material changes in the Minmetals Land Hunan Group's financial position.

Upon completion of the Capital Injection, the board of directors of Minmetals Land Hunan shall consist of five directors, of which four are shareholders' representatives, subject to election at general meeting, and one employee representative as elected by the employees of Minmetals Land Hunan. Minmetals Shengshi shall nominate three shareholders' representatives and 23rd Metallurgical shall nominate one shareholders' representative. The chairman of the board of directors of Minmetals Land Hunan shall be a director nominated by Minmetals Shengshi.

4. Evaluation of the consideration

(I) Valuation of Target Property Projects

The valuation report (the "**Valuation Report**") of the Target Property Projects as prepared by Vigers (the "**Valuer**") is set out in Appendix V to the Circular. According to the Valuation Report, the market values of the Target Property Projects in existing state attributable to Tianjin Yijiahe and Minmetals Land Hunan as at 30 April 2020 are approximately RMB11,000.0 million and RMB6,657.6 million respectively. Capital value, representing the value of an asset to a particular owner or prospective owner for individual investment or operational objectives, of the Target Property Projects in existing state attributable to Tianjin Yijiahe and Minmetals Land Hunan as at 30 April 2020 are approximately RMB2,933.8 million and RMB359.6 million respectively. The breakdown of the valuations by property project is as follows:

Property projects	Market value in existing state as at 30 April 2020	Capital value in existing state as at 30 April 2020	Percentage of holdings in the Target Property Projects	Market value in existing state attributable to Tianjin Yijiahe/ Minmetals Land Hunan as at 30 April 2020	Capital value in existing state attributable to Tianjin Yijiahe/ Minmetals Land Hunan as at 30 April 2020
	RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
Tianjin Yijiahe:					
Neo-Metropolis	11,000,000	2,933,841	100%	11,000,000	2,933,841
The Minmetals Land Hunan Target Group and its associate:					
"Realm of Landscape", Kai Fu District, Changsha, Hunan Province	1,590,000	—	50%	795,000	—
"Changsha Greenland Center", Kai Fu District, Changsha, Hunan Province	1,193,437	65,700	50%	596,719	32,850
"Minmetals Chai Da Mu Plaza", Hai Wu District, Xining, Qinghai Province	1,396,491	94,438	100%	1,396,491	94,438
"Taian Scenery Cove", Gaoxin District, Tai'an, Shandong Province	2,320,130	116,401	100%	2,320,130	116,401
"Taian Scenery Centre", Gaoxin District, Tai'an, Shandong Province	148,000	—	100%	148,000	—

Property projects	Market value in existing state as at 30 April 2020	Capital value in existing state as at 30 April 2020	Percentage of holdings in the Target Property Projects	Market value in existing state attributable to Tianjin Yijiahe/ Minmetals Land Hunan as at 30 April 2020	Capital value in existing state attributable to Tianjin Yijiahe/ Minmetals Land Hunan as at 30 April 2020
	RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
"Xiangtan Scenery Cove", Xiang Tan, Hunan Province	1,353,455	84,839	100%	1,353,455	84,839
"Jiasheng International Square", Tian Xin District, Changsha, Hunan Province	—	19,300	100%	—	19,300
"Minmetals Zuncheng Project", Xiang Tan, Hunan Province	14,009	1,110	100%	14,009	1,110
"Jiasheng Aomei City", Tian Xin District, Changsha, Hunan Province	31,100	3,990	100%	31,100	3,990
"Jiasheng Huating", Yu Hua District, Changsha, Hunan Province	2,740	6,720	100%	2,740	6,720
Total for the Minmetals Land Hunan Target Group and its associate	8,049,362	392,498		6,657,644	359,648

The breakdown of the valuations by development progress of the property projects is as follows:

Valuation of projects by development stages	**Market value in existing state as at 30 April 2020**	**Capital value in existing state as at 30 April 2020**
	RMB'000	*RMB'000*
Tianjin Yijiahe:		
Unsold portions of completed properties	—	103,500
Construction in progress	11,000,000	—
Properties for future development	—	2,830,341
Total	11,000,000	2,933,841
Minmetals Land Hunan Target Group and its associate:		
Unsold portions of completed properties	771,600	212,750
Completed and contracted to be sold:		
— revenue not yet recognised	1,012,870	56,149
— revenue recognised	2,010,052	123,599
Construction in progress	3,927,000	—
Properties for future development	241,000	—
Investment properties	86,840	—
Total	8,049,362	392,498

We have reviewed the Valuation Report and have performed work as required under note (1)(d) to Rule 13.80 of the Listing Rules regarding the valuations of the Target Property Projects with details set out below.

Scope of work and qualifications of the Valuer

The Valuer was engaged to prepare the Valuation Report which sets out independent valuations on the market value and investment value, i.e. capital value as set out in the Valuation Report, of the Target Property Projects as at 30 April 2020 as reference for the Acquisition and the Capital Injection. The Valuation Report has been prepared in compliance with the relevant regulatory requirements issued by the Stock Exchange and relevant professional standards issued by The Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors. We have discussed the expertise of the Valuer with its relevant staff members and understand that the Valuer is an established independent property valuer with a large number of completed assignments acting for listed companies, and the Valuer is certified with the relevant qualifications required to perform this valuation exercise. We understand that the signing person of the Valuation Report have over 19 years' industry experience in valuation of properties in, among others, the PRC and Hong Kong, and the relevant valuation team members have industry experience ranging from 12 to 17 years. We have also reviewed the terms of the Valuer's engagement letter and noted that the purpose of the valuation is to provide an opinion of value of the Target Property Projects. The engagement letter also contains standard valuation scopes that are typical of property valuations carried out by independent property valuers.

The Valuer advised that The Hong Kong Institute of Surveyors provides guidelines on the independence of valuers in their code of practice, which specifies declaration of interests when applicable. The Valuer also advised that, in respect of its assessment, it has no conflict of interest with the Group based on professional guidelines.

In the course of our review, we have discussed with the Valuer the methodologies, bases and assumptions adopted in the Valuation Report.

Valuation methodologies

Based on our discussion with the Valuer and review of the Valuation Report, the Valuer has inspected the Target Property Projects and made relevant enquiries in the context of the Valuations. It is noted that the final valuation of the Target Property Projects was based on the market approach which provides an indication of value by comparing the asset with identical or comparable assets for which price information is available. The Valuer considers that the market approach is the most appropriate valuation method for assessing the market value of the Target Property Projects as there is transparent and readily available market price information by reference to actual sales and transaction details derived from the relevant projects directly and/or comparable sales transactions as available in recent public tender offerings or in the market. As advised by the Valuer, the Valuer has also considered other commonly adopted approaches in valuing properties, i.e. cost approach and income approach. We understand from the Valuer that income approach is appropriate when the subject properties generate periodic cash flow income. Given that the Target Property Projects are held for sale and a significant portion of the Target Property Projects is under construction, except for a minority part which is currently rented out while pending for sale, it is considered that no regular cash inflows are available for determining the market values of the Target Property Projects. In respect of cost approach, it provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence. We understand from the Valuer that the adoption of cost approach does not reflect the market values of the subject properties with most of them to be sold in the future and therefore considered not appropriate in determining the market values of the Target Property Projects in this case.

In general, Target Property Projects are divided into five main categories, (i) completed unsold portions; (ii) completed and contracted to be sold portions; (iii) under construction and unsold portions; (iv) under construction and contracted to be sold portions; and (v) land pending for development. For (i), the unsold portions of the completed properties are valued mainly based on the actual sales transactions of the relevant projects or relevant sales evidences in the locality which have similar characteristics as the subject properties. For (ii) and (iv), value of properties that are contracted to be sold as at the valuation date are directly referenced to the relevant considerations during the pre-sale, and for properties that are under construction and contracted to be sold, the relevant considerations are partially offset by the costs to be incurred by the developers for completion and such costs are estimated based on the total budgeted costs and costs incurred by developers as at the valuation date. For (iii), market values of properties that are under construction and unsold as at the valuation date represent the land value, which is valued based on comparable transactions of land parcels, and the development costs incurred for such Target Property Projects. For (v), market values of land pending for development represent the land value estimated based on the comparable land transactions available in the market.

We understand from the Valuer that the Target Property Projects are valued with reference to (1) the actual sales transactions of the properties of the respective projects; (2) relevant sales transactions of land parcels/properties in the market which have similar locations and characteristics as the subject land/properties; and (3) development costs, including related finance and legal costs and an expected level of developer's profit on the projects.

For item (1) above, it is applicable when certain properties of the respective projects have been sold or contracted to be sold, and the consideration for the actual sales or the pre-sale would be taking into account by the Valuer in valuing the subject properties. We understand from the Valuer that they would also take into account the timing of the sale activities when determining whether the actual sale transactions are appropriate in valuing the subject properties. The Valuer would make reference to item (2), i.e. the recent asking prices of properties that are available for sale in the market if the Valuer considers the actual sales consideration, i.e. item (1), is not up-to-date for valuing the Target Property Projects. In addition, we have discussed with the Valuer and understand that they have made adjustments based on their professional judgement to reflect the differences in location, size and other characters of the relevant Target Property Projects. We understand from the Valuer that data from the actual sales/pre-sale transactions has been applied in estimating categories (i), (ii) and (iv) of the Target Property Projects.

In respect of item (2) above, we understand that it is mainly used by the Valuer when the subject properties are not yet sold or contracted to be sold. The Valuer has identified details of transactions of comparable land parcels/properties based on various channels, including but not limited to, online database and on-site inspections. We understand from the Valuer that online database includes official websites of Tianjin Land Exchange Center (天津土地交易中心), Changsha Municipal Bureau of Natural Resources and Planning (長沙市自然資源和規劃局) and China Land Market (中國土地市場網). Similar to the above, when adopting the comparable sales data in valuing the Target Property Projects, the Valuer has taken into account adjustment factors to reflect the differences, including, among other things, locations, sizes and transaction timing between the comparable land parcels/properties and the relevant Target Property Projects. The Valuer would also consider if there are any restrictions on the use of properties in determining whether adjustments need to be made on the market sales data obtained. The reference to details of comparable transactions for land parcels/properties has been made in determining the market values of categories (iii) and (v) of the Target Property Projects. As discussed above, such details are referenced by the Valuer for category (i) of the Target Property Projects when the Valuer considers it is appropriate to make reference to data of comparable transactions on top of the actual sales transactions of the relevant projects.

As for item (3) above, the development costs are estimated based on the actual costs incurred by the developers. The actual construction costs have been provided by the Company and the Valuer has considered whether the overall cost level is within the normal range based on its experience, inspections of the Target Property Projects and understanding on the industry norm. Based on our discussion with the Valuer, we understand that development costs also include professional fees, cost contingency taking into account the price fluctuations resulted from unforeseen circumstances, finance costs, legal and marketing costs. The estimation of the above costs is referenced to the market levels of such costs for property projects in the industry. As advised by the Valuer, a reasonable level of developer's profit on total development costs has been incorporated in estimating the total development costs. The level of developer's profit has been referenced to the overall market average based on the Valuer's understanding of the industry and the cities where the Target Property Projects are located. Development costs are considered in estimating the market values of category (iii) of the Target Property Projects.

Properties with Right to Use

We understand from the Valuer that capital values of the properties represent valuation of properties that are without ownership certificates and hence cannot be transferred with proper legal titles as at the valuation date of 30 April 2020. In light of the above, no market values are available for the abovementioned properties. Instead, the Valuer has estimated a capital value for such properties, which represents the value of an asset to a particular owner or prospective owner for individual investment or operational objectives, as stated in the Valuation Report. According to the Valuation Report, properties that are stated at their respective capital values include car parking spaces, commercial house, storage, and also certain land parcels held by Tianjin Yijiahe with site area of 1,115,476.4 sq.m. as at 30 April 2020.

It is noted from the Valuation Report that there are certain parts of the Target Property Projects which could not be transferred with proper legal titles but could be sold with their rights to use pursuant to the prevailing rules in the PRC ("**Properties with Right to Use**"). Properties with Right to Use include car parking space, commercial house and storage. As advised by the Valuer, Properties with Right to Use are valued by the same approach as the Target Property Projects that can be transferred with proper legal titles as mentioned in above paragraphs. The capital values are determined mainly with reference to the actual sales/pre-sale transactions of the relevant type of properties of the project, subject to adjustments after taking into account the differences in location and other characters (if applicable) of the Properties with Right to Use. Based on the discussion with the Valuer, as at 30 April 2020, the Properties with Right to Use include, among other things, car parking spaces which could not be transferred with proper legal title but could be sold with its rights to use pursuant to the prevailing rules in the PRC. We understand from the Valuer that it is a common market practice for car parking spaces located in the respective cities to be treated and transacted in the manner prescribed above, and the treatment of which is not peculiar to the Group. The valuation methodology undertaken by the Valuer in valuing these car parking spaces is consistent with industry practice.

Based on the Valuation Report and as discussed with the Valuer, certain parts of the land parcels held by Tianjin Yijiahe had no valid state-owned land-use rights certificate as at 30 April 2020 due to the ongoing resettlement work of residing residents in that area and hence such parts of land parcels are stated at capital value. We understand from the Valuer that the capital value has been determined based on the comparable transactions of land parcels in the locality which have similar characteristics as those parts of land parcels, deducted by the outstanding Resettlement Costs as at 30 April 2020 of approximately RMB9,000 million on the basis that the outstanding Resettlement Costs need to be incurred for obtaining the relevant land-use rights certificate.

Based on the above, and taking into account our discussions with the Valuer regarding their selection of valuation approach and methodology as set out above, we consider that the approach and methodology adopted by the Valuer in valuing the Target Property Projects to be reasonable.

Valuation bases and assumptions

We have reviewed the Valuation Report and discussed with the Valuer in respect of the key assumptions adopted for performing the valuation under market approach. The key assumptions of the valuations, in general, are set out as follows:

- the properties could be sold in the prevailing market in existing state assuming sale with vacant possession as at the valuation date;
- owner(s) of the properties has/have free and uninterrupted rights to use and assign the properties during the unexpired land-use rights' terms granted subject to payment of usual land-use fees;
- the properties are free from encumbrances, restrictions and outgoings of an onerous nature which may serve to affect the values of the properties;
- no option or right of pre-emption concerning or affecting the sale of the properties;
- no consideration has been made for the properties being sold in bulk or as portfolio(s);
- the sites have suitable ground condition or building services for any property development erected or to be erected on the properties;
- no cost(s) of sale or purchase or transaction and no offset for any associated tax(es) or potential tax(es); and
- relevant properties will be developed and completed in accordance with the latest development proposals provided by the Group.

We understand from the Valuer that these assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted when valuing the Target Property Projects. We also consider the assumptions adopted in the Valuation Report are general in nature and are not aware of any material facts which lead us to doubt the assumptions adopted by the Valuer.

Conclusion

Having discussed with the Valuer and reviewed with them the reasons for adopting the various valuation methodologies, the bases and assumptions used for valuing the Target Property Projects and the valuation results, we are of the opinion that the chosen valuation methodologies, bases and assumptions in establishing the appraised value as at 30 April 2020 are in line with the industry practice. In assessing the fairness of the consideration, we consider it is appropriate to refer to the independent valuations conducted by the Valuer in respect of the appraised value of the Target Property Projects.

Impact of the outbreak of COVID-19 on valuation

In view of the recent outbreak of COVID-19 in early 2020, we have discussed with the Valuer the potential impacts on the valuation of the Target Property Projects and it is noted that a disclosure is set out in the Valuation Report in respect of the uncertainties brought by COVID-19 on the real estate market and recommending users to keep the valuation under frequent review.

We have discussed with the Valuer and understand that during the course of preparing the Valuation Report, the Valuer noted a decrease in the overall property prices in recent months, while the prices for transactions of land parcels remain at similar level as last year. The development of the real estate market may be affected by the disruption in the economic activities in the PRC since the outbreak of COVID-19 in early 2020, affecting the industrial production, fixed asset investment and consumption in the PRC.

In relation to the latest development of the PRC property market, we have reviewed the "Sales Prices of Residential Buildings in 70 Medium and Large-sized Cities" as released by the National Bureau of Statistics of China in May 2020 and noted that the property price index in May 2020 for Tianjin, Changsha and Xining dropped by approximately 0.2% and increased by approximately 2.1% and 4.3% respectively when compared to that of December 2019. In general, as published by the National Bureau of Statistics of China in June 2020, the property price index in May 2020 for new residential buildings in first-tier cities, second-tier cities and third-tier cities went up by approximately 2.9%, 5.4% and 4.8% respectively as compared to the same month in 2019, indicating growth from previous year.

On the above basis, and having considered the PRC central government's long term measures in stabilising the land prices, property prices, price expectations and the successful containment of COVID-19 outbreak in the PRC so far, it is reasonable for the Management to expect that the residential property prices in the PRC shall remain relatively stable in the long run, provided that there have been no material downward change in the general residential property price in the PRC up to May 2020 as demonstrated by the statistics above. Therefore, the reference to the market values of the Target Property Projects as at 30 April 2020 as stated in the Valuation Report in determining the consideration for the Acquisition and the Capital Injection remains reasonable.

(II) Evaluation of the consideration for the Acquisition and the Capital Injection

As mentioned in the above section headed "2. Background and financial information of Tianjin Yijiahe and the Minmetals Land Hunan Group", the major assets and investments of Tianjin Yijiahe and the Minmetals Land Hunan Target Group are the Target Property Projects, and therefore emphasis should be placed on evaluating the consideration against the net asset backing of Tianjin Yijiahe and the Minmetals Land Hunan Target Group. In this respect, we have reviewed the adjusted audited consolidated net assets values ("**NAV**") of Tianjin Yijiahe and the Minmetals Land Hunan Target Group (the "**Adjusted NAV**"), based on the audited consolidated NAV of Tianjin Yijiahe and the Minmetals Land Hunan Target Group as at 30 April 2020 and the adjustments as set out in the tables below:

Tianjin Yijiahe:	*RMB'000*
Audited net liabilities attributable to its equity holders as at 30 April 2020	(1,025,793)
Proportionate interest of 49% of the net liabilities attributable to its equity holder as at 30 April 2020	(502,639)
Adjustments:	
— Proportionate interest of 49% of fair value adjustment arising from the valuation of properties held by Tianjin Yijiahe *(Note 1)*	2,706,115
— Deferred tax associated with fair value adjustment *(Note 2)*	(676,529)
Adjusted NAV (49%)	**1,526,947**

Notes:

1. This represents the fair value adjustment arising from the excess of the market values and capital values of properties held by Tianjin Yijiahe as valued by the Valuer as at 30 April 2020 over their corresponding book values on 30 April 2020. Capital values represent fair value of properties that could not be transferred with proper legal titles, including a commercial house and land pending valid state-owned land-use rights certificate with site area of 584,237.1 sq.m. as at 30 April 2020 due to the ongoing resettlement work of residing residents (the "**Tianjin Land Parcel**").

   We have reviewed the relevant PRC legal opinion from the PRC legal adviser of the Company, stating that according to the Tianjin City State-owned Land-use Rights Grant Contract (天津市國有土地使用權出讓合同), the land use rights of the Tianjin Land Parcel has been granted to Tianjin Yijiahe and Tianjin Yijiahe is eligible to obtain the land-use rights certificates for various parts of land, subject to the progress of the resettlement work and payment of the Resettlement Costs. As the outstanding Resettlement Costs have been deducted in the valuation of the Tianjin Land Parcel, it is considered that it is reasonable to include the capital value of the Tianjin Land Parcel in arriving at the Adjusted NAV of Tianjin Yijiahe. As stated in the Equity Transfer Agreement and as set out in the section headed "3. Principal terms of the Equity Transfer Agreement and the Capital Injection Agreement" of this letter above, the Vendor shall refund the relevant part of the consideration of the Acquisition, subject to conditions, based on the relevant proportion that Tianjin Yijiahe not being able to obtain the land-use right certificates of the Tianjin Land Parcel.

As for the commercial house without valid real estate title certificate, according to the PRC legal opinion from the PRC legal adviser of the Company, after the approval and acceptance for completion of construction of such property obtained from the relevant authority, the relevant real estate title certificate of the property can be obtained without material legal impediment and such property can be transferred with legal title. Furthermore, it is noted in the Equity Transfer Agreement that the Vendor shall indemnify any loss or damage caused by the failure at completing the acceptance examination and obtaining the relevant real estate title certificate for the commercial house. Given the above, it is considered reasonable to include the capital value of the commercial house in arriving at the Adjusted NAV of Tianjin Yijiahe.

2. This represents the potential PRC corporate income tax and land appreciation tax attributable to the fair value adjustment on the properties held by Tianjin Yijiahe with an intention of future sale that would be crystalised for Tianjin Yijiahe upon disposal of these properties at the valuation prices (including the market values and capital values) as set out in the Valuation Report.

As shown in the above table, the proportionate interest of 49% of the equity interest of Tianjin Yijiahe is approximately RMB1,526.9 million based on the Adjusted NAV, which has been adjusted based on the valuation of the Target Property Projects conducted by the Valuer, and the valuation approach and methodology are considered reasonable. As mentioned in the section headed "2. Background and financial information of Tianjin Yijiahe and the Minmetals Land Hunan Group" of this letter above, the Resettlement Costs are deducted in deriving the capital values of the Tianjin Land Parcel as discussed above. The consideration of RMB1,475.5 million represents a discount of approximately 3.4% to the proportionate Adjusted NAV.

We understand from the Management that the status of development of the property project held by Tianjin Yijiahe, Neo-Metropolis, has been considered in determining the consideration. As advised by the Management, Neo-Metropolis is developed in different phrases and commenced development in November 2012 with the construction of the whole project expected to be completed in 2027. We also understand from the Management that Neo-Metropolis is carried out in 13 phases and it is expected that one to two phases of the project would be pre-sold annually in the future during the development period. As stated in the "Letter from the Board" contained in the Circular, for the coming 12 months, the expected development costs for Neo-Metropolis will be approximately RMB3,900 million (approximately HK$4,283 million). Given that Neo-Metropolis is being developed in stages with pre-sale activities in recent years and substantial amount of considerations received in advance from sales of properties to customers as demonstrated in the accountants' report set out in Appendix IIA to the Circular, the financing and development plan of Neo-Metropolis is consistent with its historical development. As such, it is considered by the Management, and we concur that, the payment of development costs shall not have material impact on the financial position of the Group. We have also reviewed the Valuation Report and noted that a part of the property with GFA of approximately 0.72 million sq.m. is under construction with approximately 50% of the GFA being presold as at 30 April 2020. As discussed in the sections earlier in this letter, certain parts of the land parcels (the Tianjin Land Parcel) are pending land use right certificates due to the ongoing resettlement work in that area. This part of land has a

GFA of approximately 1.09 million sq.m., which accounts for over 50% of the total land bank in terms of GFA of that project. As noted in the Valuation Report, substantial amount of the value of properties held by Tianjin Yijiahe involves properties under construction or pending for development, the Management is of the view that the property project is subject to future growth with positive prospects. In view of the above, and also taking into account the prospects of the Tianjin real estate market, it is reasonable for the Management to apply a lower level of discount to the proportionate Adjusted NAV of Tianjin Yijiahe when determining the consideration of the Acquisition.

In respect of the payment terms, approximately 50% of the consideration shall be paid within 15 business days after the completion of the Acquisition, subject to certain conditions precedent, while the remaining balance shall be paid in two equal installments on 30 September 2021 and 2022. As mentioned in the section headed "2. Background and financial information of Tianjin Yijiahe and the Minmetals Land Hunan Group" of this letter above, there is resettlement work in progress for certain land parcels where Neo-Metropolis is located and land use rights for those land parcels are yet to be obtained. Furthermore, as stated in the Equity Transfer Agreement, the Vendor shall refund the relevant part of the consideration, subject to conditions, based on the relevant proportion that Tianjin Yijiahe not being able to obtain the land-use right certificates of the Tianjin Land Parcel. Considering the potential delay in completion of the resettlement work beyond 31 December 2020 and the relevant clause included in the Equity Transfer Agreement as mentioned above to safeguard the Company's interest, the payment schedule of the remaining balance is considered to be reasonable in this case.

The Minmetals Land Hunan Target Group:	*RMB'000*
Audited consolidated NAV attributable to its equity holders as at 30 April 2020 *(Note 1)*	828,165
Adjustments:	
— Fair value and deferred tax adjustment on the investment in an associate *(Note 2)*	126,474
— Fair value adjustment of the property development projects as at 30 April 2020 *(Note 2)*	970,299
— Deferred tax associated with the fair value adjustment of the property development projects *(Note 3)*	(377,401)
— Fair value adjustment on non-controlling interest *(Note 2)*	40,108
— Consideration of the Capital Injection *(Note 4)*	1,327,320
Adjusted NAV (100%)	**2,914,965**
Proportionate interest of 51% of the adjusted NAV attributable to owners of Minmetals Land Hunan as at 30 April 2020	**1,486,632**

Notes:

1. This represents audited consolidated NAV attributable to equity holders of Minmetals Land Hunan as at 30 April 2020 excluding net assets associated with disposal group classified as held for distribution to owner, i.e. net assets of Hunan Dongrun, of approximately RMB515.7 million based on the accountants' report included in Appendix IIB to the Circular.

2. This represents the fair value adjustment arising from the excess of the market values and capital values of properties held by the Minmetals Land Hunan Target Group and its associate as valued by the Valuer as at 30 April 2020 over their corresponding book values on 30 April 2020. Capital values represent fair value of properties that could not be transferred with proper legal titles, including car parking spaces and storage. It also includes the adjustment regarding deferred tax associated with the fair value adjustment to the investment in an associate.

   Based on the PRC legal opinion from the PRC legal adviser of the Company, the developers have the right to transfer, or to lease, the underground storage area located in the properties that are developed by them, according to the relevant regulation in the PRC. As such, the Management considers that the storage area can be sold with the right to use. As for the car parking spaces, despite no legal ownership certificates are obtained, the developers have the right to sell, transfer or lease the car parking spaces based on the PRC property law as stated in the PRC legal opinion from the PRC legal adviser of the Company. The Management has reviewed existing contracts entered in respect of the transfer of right of use of the car parking spaces at a fixed consideration and thus considers that the right of use can be sold by developers. On the above bases, the capital values of the car parking spaces and storage are included in arriving at the Adjusted NAV of the Minmetals Land Hunan Target Group.

3. This represents the potential PRC corporate income tax and land appreciation tax attributable to the fair value adjustment on the properties held by the Minmetals Land Hunan Target Group and its associate with an intention of future sale that would be crystalised for the Minmetals Land Hunan Target Group and its associate upon disposal of these properties at the valuation prices (including the market values and capital values) as set out in the Valuation Report.

4. This represents the increase in cash and bank deposits of the Minmetals Land Hunan Group due to the Capital Injection.

As shown in the above table, the proportionate interest of 51% of Minmetals Land Hunan is approximately RMB1,486.6 million based on the Adjusted NAV, which has been adjusted based on the valuation of the Target Property Projects conducted by the Valuer, and the valuation approach and methodology are considered reasonable. The consideration of the Capital Injection of RMB1,327.3 million represents a discount of approximately 10.7% to the proportionate Adjusted NAV.

In determining the consideration for the Capital Injection, the Management advised that the status of development of the property portfolio of the Minmetals Land Hunan Target Group and its associate is being takin into account. As compared to Tianjin Yijiahe, a higher proportion of property projects have been developed and completed pending for sale, accounting for approximately 11.6% of the total land bank in terms of GFA, while GFA pending for development only accounts for approximately 16.5% of the total land bank in terms of GFA. The Adjusted NAV of the Minmetals Land Hunan Target Group also includes values of car parking spaces, together with the completed unsold portions of the properties, are considered to have less growth potentials. Besides, property projects held by the Minmetals Land Hunan Target Group and its associate, other than those located in Changsha, are mainly in third-tier cities. As such, the Management considers a higher level of discount is more appropriate when determining the consideration for Capital Injection.

A reconciliation of the Adjusted NAV for each of Tianjin Yijiahe and the Minmetals Land Hunan Target Group is set out in the "Letter from the Board" contained in the Circular respectively. We have discussed with the Management regarding the preparation of such reconciliation. As advised by the Management, the reconciliations were prepared by comparing the book values and the fair values of the relevant property interests, which include mainly, (i) book values of the relevant property interests which were extracted from the audited financial statements of Tianjin Yijiahe and the Minmetals Land Hunan Group; (ii) market values of the relevant property interests as set out in the Valuation Report which the Directors consider the valuation assumptions to be fair and reasonable; (iii) the estimated deferred tax associated with the fair value adjustment, which was estimated in accordance with the Company's accounting policies including potential PRC corporate income tax and land appreciation tax; and (iv) calculation of the applicable impact proportionate to the interests subject to the Acquisition and the Capital Injection. Such adjustments were also included in the unaudited pro forma financial information as set out in Appendix IV to the Circular. We understand that the Company has engaged the reporting accountants to report on the unaudited pro forma financial information and the reporting accountants are of the view that, among other things, the basis of preparing the unaudited pro forma financial information is consistent with the accounting policies of the Group and 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. Further details of the reconciliation of the Adjusted NAV together with the respective notes are set out in the sections headed "(I) The Acquisition" and "(II) The Capital Injection" of the "Letter from the Board" contained in the Circular. Given that (a) the reconciliation was made based on information from the audited financial statements of Tianjin Yijiahe and the Minmetals Land Hunan Group, and information from the independent valuations to which we consider appropriate to refer for assessing the fairness of the consideration; (b) the adjustments were made in accordance with the Company's accounting policies; and (c) the opinion from the Company's reporting accountants on the unaudited pro forma financial information as set out in Appendix IV to the Circular, we are of the view that the aforesaid reconciliations and adjustments made by the Directors are reasonable.

On the above bases, in particular, (i) the reference to the Adjusted NAV is appropriate given that the valuation approach and methodology are reasonable; and (ii) a discount applied to the Adjusted NAV of both Tianjin Yijiahe and the Minmetals Land Hunan Target Group after considering the development status of property projects held by the respective companies, we are of the view that the consideration for the Acquisition and the Capital Injection is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. Financial effects of the Acquisition and the Capital Injection

Set out below are the financial effects of the Acquisition and the Capital Injection to the Group. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular illustrates the effects of the Acquisition and the Capital Injection on the Group assuming that completion of the Transactions had taken place on 31 December 2019.

(i) Equity attributable to the Shareholders

As of 31 December 2019, the net assets of the Group was approximately HK$16,266.7 million. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to the Circular, the unaudited pro forma net assets of the Enlarged Group would increase to approximately HK$18,218.8 million assuming the Transactions had taken place on 31 December 2019, such increase is mainly due to the discount on consideration of the Transactions to the Adjusted NAV.

(ii) Gearing and liquidity

As of 31 December 2019, the net gearing ratio (defined as total borrowings minus cash and bank deposits, divided by total equity) of the Group was approximately 79.1% as disclosed in the 2019 annual report of the Company. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to the Circular, the net gearing ratio of the Enlarged Group as if the Transactions had taken place on 31 December 2019 would have increased to approximately 80.4%, mainly as a result of the increased level of borrowings and the decrease in cash and bank deposits assuming that the consideration for the Acquisition and the Capital Injection would be settled in cash. The Management considers that the financial position of the Group remains healthy with the increase in gearing ratio upon completion of the Transactions, and the Group will have sufficient financial resources for future business operations.

According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to the Circular, the cash and bank balances (including the restricted deposits) would have decreased from approximately HK$3.9 billion to approximately HK$3.7 billion assuming the Transactions had taken place on 31 December 2019. It should be noted that, pursuant to the Equity Transfer Agreement, a total of approximately RMB737.73 million (approximately HK$810.17 million) shall be paid in two equal installments on 30 September 2021 and 2022. As for the Capital Injection, approximately RMB265.46 million (approximately HK$291.53 million) shall be paid around six months after the completion of the Capital Injection, subject to the satisfaction of certain conditions as stated in the Capital Injection Agreement. The drop in cash and bank balances as illustrated above is mainly due to the assumption of payment of consideration for the Transactions in cash, partially offset by the cash and bank balances contributed by the Minmetals Land Hunan Group upon completion of the Capital Injection. After reviewing the working capital position of the Group, the Group intends to utilise its internal resources or bank borrowings for settlement of consideration of the Transactions given that currently the Group has sufficient cash surplus. In addition, the payment schedule for part of the consideration for the Acquisition is spread across two years, reducing immediate funding pressure for the Group.

Working capital of the Group was approximately HK$20.1 billion as at 31 December 2019. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, the working capital would have increased slightly to approximately 21.4 billion as if the Transactions had taken place on 31 December 2019. As set out in the section headed "3. Working capital" set out in Appendix I to the Circular, the Enlarged Group shall have sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of the Circular, in the absence of unforeseen circumstances.

(iii) Income

Upon completion of the Acquisition, Tianjin Yijiahe will be accounted for using equity method and will not be consolidated into the financial statements of the Group. Upon completion of the Capital Injection, Minmetals Land Hunan will become a non-wholly owned subsidiary of the Company and the results of Minmetals Land Hunan will be consolidated into that of the Group. As set out in previous sections of this letter, there are plenty of properties contracted to be sold or subject to pre-sale in the future for the Target Property Projects, thus the Transactions create additional revenue stream for the Group in the coming years. In addition, as explained in the section headed "4. Evaluation of the consideration" of this letter above, the consideration for the Acquisition and the Capital Injection represents a discount of approximately 3.4% and 10.7% respectively to the respective Adjusted NAV attributable to the underlying equity interests. The Adjusted NAV is determined after taking into account adjustments with reference to the independent property valuation of the Target Property Projects. Accordingly, it is expected that the Transactions will have a positive contribution to the profit of the Group in due course.

DISCUSSION

The Group is mainly engaging in the real estate business, including real estate development, specialised construction and property investment. Currently, the Group's real estate development business covers the Pearl River Delta, Yangtze River Delta, Central China and Pan Bohai Rim regions. Its specialised construction business based in Shanghai and Hong Kong has coverage in fifty provinces and cities in China.

The Transactions involve the Acquisition of 49% equity interests in Tianjin Yijiahe and the Capital Injection of 51% in the enlarged share capital of Minmetals Land Hunan. Tianjin Yijiahe has a mega scale residential estate project, namely Neo-Metropolis located in Tianjin, while the Minmetals Land Hunan Target Group and its associate have a property portfolio of 10 properties in Changsha, Xiang Tan, Tai'an and Xining.

We have reviewed the key terms (including, among other things, the consideration term, payment term and certain indemnity clauses) of each of the Equity Transfer Agreement and the Capital Injection Agreement, further details are set out in the section headed "3. Principal terms of the Equity Transfer Agreement and the Capital Injection Agreement" of this letter above. The consideration for each of the Acquisition and the Capital Injection was determined based on arm's length negotiations between the parties with reference to the Adjusted NAV of the underlying equity interests. We have reviewed the Valuation Report and have discussed with the Valuer regarding, among other things, their work and valuation methodologies. Based on our review and discussion, we are of the opinion that the chosen valuation methodologies, bases and assumptions in establishing the appraised value are in line with the industry practice, and it is appropriate to refer to the independent valuations by the Valuer in assessing the fairness of the consideration. Based on our comparison of the consideration and the Adjusted NAV, the consideration for the Acquisition and the Capital Injection represents a discount of approximately 3.4% and 10.7% respectively to the respective Adjusted NAV attributable to the underlying equity interests.

The Transactions will allow the Group to replenish its land bank in major second-tier cities for its sustainable development in the future, at the same time providing the Group with immediate and stable contribution to contracted sales and revenue growth. Further the Group expects to promote its brand name and to expand its service network to deliver value-added services covering complete customer lifecycle. The Transactions will also help to reduce internal competition by reducing entrusted management services provided to the China Minmetals Group, which would help the Group to strengthen its corporate governance. We have also reviewed with the Management the financial effects of the Transactions. It is expected that the Transactions will enhance the NAV of the Group and create additional revenue stream for the Group, and it is expected that the Transactions will have a positive contribution to the profit of the Group in due course. Although there would be an increase in the net gearing ratio of the Group, the Management considers that the financial position of the Group remains healthy upon completion of the Transactions, and the Group will have sufficient financial resources for future business operations.

OPINION AND RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the Equity Transfer Agreement, the Capital Injection Agreement and the transactions contemplated under each of the Equity Transfer Agreement and the Capital Injection Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Acquisition and the Capital Injection to be in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution(s) in relation to the Equity Transfer Agreement, the Capital Injection Agreement and the transactions contemplated under each of the Equity Transfer Agreement and the Capital Injection Agreement to be proposed at the SGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Clifford Cheng
Director

Mr. Clifford Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

For illustrative purpose, amounts denominated in RMB have been translated into HK$ at an exchange rate of RMB1:HK$1.0982.

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.minmetalsland.com):

- — the annual report of the Company for the year ended 31 December 2017 (pages 145 to 277);
- — the annual report of the Company for the year ended 31 December 2018 (pages 151 to 321); and
- — the annual report of the Company for the year ended 31 December 2019 (pages 137 to 311).

2. INDEBTEDNESS OF THE ENLARGED GROUP

Bank borrowings

As at the close of business on 31 May 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had aggregate outstanding bank borrowings of approximately HK$15,096.94 million, details of which are set out below:

	HK$' million
Bank borrowings	
Short term bank loans, unsecured and guaranteed	1,527.62
Long term bank loans, secured and guaranteed	2,547.36
Long term bank loan, unsecured and guaranteed	9,400.00
Long term bank loans, secured and unguaranteed	1,621.96
	15,096.94

Loans from fellow subsidiaries

As at the close of business on 31 May 2020, the Enlarged Group had outstanding loans from fellow subsidiaries of approximately HK$762.21 million, which are unsecured and unguaranteed.

Loans from non-controlling shareholders of subsidiaries

As at the close of business on 31 May 2020, the Enlarged Group had outstanding loans from non-controlling shareholders of subsidiaries of approximately HK$422.73 million, which are unsecured and unguaranteed.

Other borrowings

As at the close of business on 31 May 2020, the Enlarged Group had other borrowings of approximately HK$938.95 million, which are unsecured and unguaranteed.

Amounts due to an associate

As at the close of business on 31 May 2020, the Enlarged Group had outstanding amounts due to an associate of approximately HK$906.73 million, which are unsecured and unguaranteed.

Amounts due to non-controlling shareholders of subsidiaries

As at the close of business on 31 May 2020, the Enlarged Group had outstanding amounts due to non-controlling shareholders of subsidiaries of approximately HK$512.64 million, which are unsecured and unguaranteed.

Amounts due to a fellow subsidiary

As at the close of business on 31 May 2020, the Enlarged Group had outstanding amounts due to a fellow subsidiary of approximately HK$1,250.16 million, which is unsecured and unguaranteed.

Charges on the Enlarged Group's assets

As at the close of business on 31 May 2020, certain assets of the Enlarged Group were pledged as securities for the Enlarged Group's banking facilities and mortgage loans granted to buyers of sold properties and these pledged assets of the Enlarged Group include bank deposits, properties under development and 100% equity interest in a subsidiary.

Guaranteed bonds

As at the close of business on 31 May 2020, the Enlarged Group had guaranteed bonds of approximately HK$2,320.55 million and HK$963.20 million, which will be matured on 18 September 2021 and 26 April 2023, respectively. The principal amounts of the guaranteed bonds are US$300 million and US$125 million, respectively. The guaranteed bonds are unsecured and guaranteed by the Company and have the benefit of a keepwell deed from China Minmetals, the ultimate controlling shareholder of the Company.

Lease obligations

As at 31 May 2020, the Enlarged Group, as a lessee, has outstanding unpaid contractual lease payments for the remainder of the relevant lease terms amounting to HK$86.77 million, which are neither secured nor guaranteed.

Financial guarantees and contingent liabilities

As at the close of business on 31 May 2020, the Enlarged Group had provided guarantees to certain banks relating to mortgage facilities arranged for certain buyers of properties developed by the Enlarged Group and the outstanding mortgage loans under these guarantees amounted to HK$4,611.02 million.

General

Save as aforesaid and apart from intra-group liabilities, the Enlarged 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, recognised lease liabilities, guarantees or other material contingent liabilities at the close of business on 31 May 2020.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Enlarged Group's available financial resources including internally generated cash flows, credit facilities and cash on hand, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in real estate development with over 90% of its revenue being derived from this segment, and supported by specialised construction business and property investment business with 2 premium investment properties located in Tsim Sha Tsui and Central districts in Hong Kong. As of 31 December 2019, the Group has 27 development projects located in 13 cities in the Pan Bohai Rim, Yangtze River Delta, Central China and Pearl River Delta Region in the PRC and Hong Kong with a developable gross floor area of approximately 4.35 million sq.m. and focuses primarily on mid- to high-end residential property segment. In 2019, the Group achieved a total contracted sales of approximately RMB8,645 million with an ASP of approximately RMB18,800 per sq.m..

In the past few years, based on the principle of "houses are built to be inhabited, not for speculation (房住不炒)" and despite the impact of strengthened domestic financial regulations, ongoing policy controls, slowing industry growth and tremendous market uncertainties at the back of global trade setback and increased tension in geopolitics, the Group has maintained sustainable development and achieved remarkable operational targets. As industry competition intensifies, the Group has started to place more emphasis on the quality of growth module. On one hand, the Group has been highly selective in terms of land acquisition and geographical expansion to limit investment risks, with all of its land acquisitions since 2016 being limited to Tier-1 and core Tier-2 cities. On the other hand, leveraging on its state-owned enterprise background, the Group continues to pursue a differentiated and quality-oriented growth model from a "property developer" to an "urban operator", and continues to strengthen its core competitiveness through brand recognition, project quality and product design to unleash further growth potential from existing projects.

Upon the completion of the Transactions, real estate development in the PRC will remain as the Group's core business and the Board continues to be confident regarding the Group's prospects and capabilities for the following reasons: (1) given the large scale and long-term development timeline of the Future City project, not only will it lift the Group's sales and revenue instantly, it will also reinforce the Group's strategic positioning from a "property developer" to an "urban operator" and is expected to provide the Enlarged Group with significant long term growth upside; and (2) Minmetals Land Hunan will further extend the Group's geographical coverage and brand penetration in Hunan, Shandong and Qinghai region with outreaching brand recognition and will be synergetic to the Group's existing projects as a result of future optimisation in resource allocation and improved operational alignment. The Group is confident that with improved operation management, the projects subject to the Transactions will become integral and meaningful parts of the Group's growth driver, and they will become stable and high-quality revenue and profit contributors in the coming years.

Please also refer to the Company's profit warning announcements dated 18 June 2020 and 3 July 2020, respectively, for further details in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

The following is the text of a report set out on pages IIA-1 to IIA-36, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF 天津億嘉合置業有限公司 TIANJIN YIJIAHE REAL ESTATE COMPANY LIMITED TO THE DIRECTORS OF MINMETALS LAND LIMITED

Introduction

We report on the historical financial information of Tianjin Yijiahe Real Estate Company Limited (the "Target Company") set out on pages IIA-4 to IIA-36, which comprises the statements of financial position of the Target Company as at 31 December 2017, 2018 and 2019 and 30 April 2020 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the three years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-4 to IIA-36 forms an integral part of this report, which has been prepared for inclusion in the circular of Minmetals Land Limited (the "Company") dated 21 July 2020 (the "Circular") in connection with, among other things, the major acquisition and connected transactions in relation to the acquisition of 49% equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2017, 2018 and 2019 and 30 April 2020 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 30 April 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividend was declared or paid by the Target Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 July 2020

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Four months ended 30 April	
	Notes	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	6	992	53,350	78,930	71,853	914
Cost of sales		(753)	(51,127)	(55,798)	(55,610)	(376)
Gross profit		239	2,223	23,132	16,243	538
Other gains and losses	7	31	(2,794)	163	—	(1,285)
Selling and marketing expenses		(4,137)	(23,580)	(29,933)	(8,868)	(11,714)
Administrative and other expenses		(11,366)	(60,193)	(39,437)	(7,380)	(3,241)
Finance income	10	1,742	673	1,985	519	847
Finance costs	10	(455,932)	(361,413)	(133,680)	(50,846)	(14,704)
Loss before tax	8	(469,423)	(445,084)	(177,770)	(50,332)	(29,559)
Income tax (expense)/credit	11	(190)	5,069	(20,868)	(12,369)	(10,052)
Loss and total comprehensive expense for the year		(469,613)	(440,015)	(198,638)	(62,701)	(39,611)

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2017	2018	2019	As at 30 April 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment		205	150	119	109
		205	150	119	109
Current assets					
Inventories	13	3,583,581	5,230,434	7,515,572	8,411,158
Contract costs	14	—	36,391	68,171	86,587
Prepayments and other receivables	15	5,694,049	2,156,348	3,110,312	2,802,728
Restricted bank deposits	16	—	429,530	647,104	764,713
Cash and bank deposits	17	28,103	84,415	348,395	332,277
		9,305,733	7,937,118	11,689,554	12,397,463
Total assets		9,305,938	7,937,268	11,689,673	12,397,572
EQUITY					
Paid-in capital		80,000	80,000	80,000	80,000
Capital reserve		900,424	900,424	900,424	900,424
Accumulated losses		(1,327,953)	(1,767,968)	(1,966,606)	(2,006,217)
Total equity		(347,529)	(787,544)	(986,182)	(1,025,793)
LIABILITIES					
Non-current liabilities					
Borrowings	18	5,949,000	5,613,000	5,423,000	4,790,000
Deferred tax liabilities	21	8,790	3,721	24,589	34,641
		5,957,790	5,616,721	5,447,589	4,824,641
Current liabilities					
Borrowings	18	3,550,000	1,336,000	1,600,000	1,635,000
Trade and other payables	19	101,652	312,205	426,173	536,127
Contract liabilities	20	44,025	1,445,516	5,151,312	6,417,749
Taxation payable		—	14,370	50,781	9,848
		3,695,677	3,108,091	7,228,266	8,598,724
Total liabilities		9,653,467	8,724,812	12,675,855	13,423,365
Total equity and liabilities		9,305,938	7,937,268	11,689,673	12,397,572
Net current assets		5,610,056	4,829,027	4,461,288	3,798,739
Total assets less current liabilities		5,610,261	4,829,177	4,461,407	3,798,848

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Capital reserve *RMB'000* *(note)*	Accumulated losses *RMB'000*	Total equity *RMB'000*
At 1 January 2017	80,000	900,424	(858,340)	122,084
Loss and total comprehensive expense for the year	—	—	(469,613)	(469,613)
At 31 December 2017	80,000	900,424	(1,327,953)	(347,529)
Loss and total comprehensive expense for the year	—	—	(440,015)	(440,015)
At 31 December 2018	80,000	900,424	(1,767,968)	(787,544)
Loss and total comprehensive expense for the year	—	—	(198,638)	(198,638)
At 31 December 2019	80,000	900,424	(1,966,606)	(986,182)
Loss and total comprehensive expense for the period	—	—	(39,611)	(39,611)
At 30 April 2020	80,000	900,424	(2,006,217)	(1,025,793)
At 1 January 2019	80,000	900,424	(1,767,968)	(787,544)
Loss and total comprehensive expense for the period (unaudited)	—	—	(62,701)	(62,701)
At 30 April 2019 (unaudited)	80,000	900,424	(1,830,669)	(850,245)

Note: Capital reserve represents the excess of amount of capital contribution from Beijing Yuankun Real Estate Development Company Limited ("Beijing Yuankun"), the immediate holding company, to the Target Company over the paid-in capital during the year ended 31 December 2015.

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	Four months ended 30 April 2019 RMB'000 (unaudited)	2020 RMB'000
Operating activities						
Cash (used in)/generated from operations	23	(1,005,770)	(497,650)	1,325,534	1,174,920	379,816
Income tax (paid)/received		(761)	20,274	(97,173)	(42,871)	(93,024)
Net cash (used in)/generated from operating activities		(1,006,531)	(477,376)	1,228,361	1,132,049	286,792
Investing activities						
Purchase of property, plant and equipment		—	(3)	(19)	—	—
Proceeds from disposal of property, plant and equipment		—	4	2	—	—
Advances to shareholders		(4,400,000)	(1,794,000)	(1,695,500)	(600,000)	—
Repayments from shareholders		3,355,000	5,402,477	1,020,000	880,000	404,000
Advances to fellow subsidiaries		(49,500)	(25,500)	—	—	—
Repayments from fellow subsidiaries		—	49,500	25,500	25,500	—
Interest received		1,742	673	1,985	519	847
Net cash (used in)/generated from investing activities		(1,092,758)	3,633,151	(648,032)	306,019	404,847
Financing activities						
Interest paid		(634,498)	(549,463)	(390,349)	(98,105)	(109,757)
New borrowings obtained		5,001,000	1,000,000	1,410,000	410,000	—
Repayment of borrowings		(1,252,000)	(3,550,000)	(1,336,000)	(1,334,000)	(598,000)
Repayment of loan from a shareholder		(1,101,000)	—	—	—	—
Net cash generated from/(used in) financing activities		2,013,502	(3,099,463)	(316,349)	(1,022,105)	(707,757)
(Decrease)/increase in cash and cash equivalents		(85,787)	56,312	263,980	415,963	(16,118)
Cash and cash equivalents at beginning of the year		113,890	28,103	84,415	84,415	348,395
Cash and cash equivalents at end of the year	17	28,103	84,415	348,395	500,378	332,277

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Target Company is a limited liability company established in The People's Republic of China (the "PRC") on 18 April 2003. Its immediate holding company is Beijing Yuankun which was established in the PRC and the ultimate holding company of Beijing Yuankun is Sino-Ocean Group Holding Limited, a company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. Beijing Yuankun holds 51% of equity interest of the Target Company and the remaining 49% is held by Minmetals Real Estate Co., Ltd. whose ultimate holding company is China Minmetals Corporation.

The address of the registered office of the Target Company is Yixingbu Industrial Park, Beichen Science and Technology Park, Beichen District, Tianjin, the PRC.

The Target Company is principally engaged in property development in the PRC. The Historical Financial Information is presented Renminbi ("RMB"), which is also the functional currency of the Target Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Company Ordinance.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2020 throughout the Relevant Periods, except that the Target Company applied HKFRS 9 *Financial Instruments* from 1 January 2018 and HKAS 39 *Financial Instruments: Recognition and Measurement* for the year ended 31 December 2017. The accounting policies for financial instruments under HKFRS 9 and HKAS 39 are set out in Note 4 below.

Impact and changes in accounting policies of application on HKFRS 9

Since 1 January 2018, the Target Company has applied HKFRS 9 and related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, lease receivables, contract assets and financial guarantee contracts) and 3) general hedge accounting.

The Target Company has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses as at 1 January 2018, without restating the financial information for the year ended 31 December 2017. The initial application of HKFRS 9 had no material impact on Target Company's financial positions and performance throughout the Relevant Periods and on the disclosures set out in the Historical Financial Information.

New and revised HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued which are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[3]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 June 2020

The directors of the Target Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the Target Company's financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Company Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue from contracts with customers

The Target Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

— the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

— the entity's performance creates or enhances an asset that the customer controls as the entity performs; or

— the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Target Company's obligation to transfer goods or services to a customer for which the Target Company has received consideration (or an amount of consideration is due) from the customer.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Target Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Target Company recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Target Company applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Retirement benefit costs

Employees in the PRC are members of a state-managed employee pension scheme operated by the relevant municipal government in the PRC which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Target Company has obligation to make the required contributions under the scheme.

The Target Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when employees have rendered service entitling them to the contributions 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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which those temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of each reporting periods, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The depreciation is calculated using the straight-line method, after tacking into account the residual values, over the estimated useful lives with annual rates as follows:

Furniture, fixtures and equipment	12% — 33%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, plant and equipment and contract costs

At the end of each reporting period, the Target Company reviews the carrying amounts of its property, plant and equipment and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and contract costs are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Before the Target Company recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Target Company assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Target Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories represent properties under development and completed properties held for sale.

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to properties for sale upon completion.

Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transition in Note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial recognition of a financial asset the Target Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is not held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Target Company may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in Note 3)

The Target Company performs impairment assessment under expected credit losses ("ECL") model on financial assets (including other receivables, restricted bank deposits and cash and bank deposits), and other item (financial guarantee contracts) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial instruments, the Target Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, the Target Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Target Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Target Company considers the changes in the risk that the specified debtor will default on the contract.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Target Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Target Company expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Target Company will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization, and where observable data indicate that there is decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets measured at amortised cost, the amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit of loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments issued by the Target Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including borrowings and trade and other payables are subsequently measured at amortised cost using effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key estimation uncertainty

The Target Company makes estimates and assumptions concerning the future. The estimates and assumptions at the end of each reporting period that may have a significant risk of causing uncertainty to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment on inventories

Impairment on inventories is made based on the assessment of net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, and the amount the properties are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of each reporting period. Significant management estimates are required in the estimates. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of inventories and the amount of write-down/reversal of write-down of inventories in the reporting periods in which such estimates have been changed.

Deferred tax assets

No deferred tax asset has been recognised on the tax losses due to the unpredictability of future profit streams. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

6. REVENUE AND SEGMENT INFORMATION

The Target Company's revenue is mainly derived from the sales of properties. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Target Company concluded that the Target Company does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Target Company has present right to payment and collection of the consideration is probable.

The Target Company's operations are solely derived from property development in the PRC. The directors of the Target Company, being chief operating decision maker, only review the overall results and financial position of the Target Company, which are prepared based on the same accounting policies set out in Note 4, for the purposes of resource allocation and performance assessment. Accordingly, the Target Company presents only one single operation segment and no further analysis is presented.

The Target Company's operation is located in Tianjin, the PRC. Accordingly, all revenue is generated from and all non-current assets are located in the PRC. No revenue from a single customer or a group of customers under common control contributed 10% or more of the Target Company's revenue.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2017, 2018 and 2019 and 30 April 2019 and 2020, and the expected timing of recognising revenue are as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Within one year	51,825	70,952	—	—	2,339,796
More than one year but not more than two years	70,952	—	4,282,573	2,287,634	2,763,384
More than two year but not more than three years	—	2,435,182	1,680,221	1,346,085	2,195,976
	122,777	2,506,134	5,962,794	3,633,719	7,299,156

7. OTHER GAINS AND LOSSES

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Penalties	(5)	(2,827)	—	—	(1,373)
Gain on disposal of property, plant and equipment	—	4	1	—	—
Other gains	36	29	162	—	88
	31	(2,794)	163	—	(1,285)

8. LOSS BEFORE TAX

Loss for the year has been arrived after charging:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of properties sold	753	51,127	55,798	55,610	376
Auditor's remuneration	50	50	50	50	50
Depreciation of property, plant and equipment	139	58	49	19	10
Employee benefit expense (including directors' emoluments) *(Note 9)*	609	2,101	5,154	1,369	1,359
Allowance for impairment of other receivables (included in administration and other expenses)	864	—	—	—	—
Write-down of inventories	—	20,106	—	—	—

9. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	10,682	18,541	28,146	8,999	15,549
Retirement benefit costs	803	1,352	2,287	804	197
	11,485	19,893	30,433	9,803	15,746
Less: Amount capitalised as inventories	(10,876)	(17,792)	(25,279)	(8,434)	(14,387)
	609	2,101	5,154	1,369	1,359

(a) Directors' emoluments

During the Relevant Periods, no emoluments were paid or payable by the Target Company to the directors.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Target Company to the directors as an inducement to join or as compensation for loss of office.

(b) Five highest-paid individuals

During the Relevant Periods, five highest-paid individuals in the Target Company include no directors of the Target Company. Details of the emoluments of these individuals are as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	3,725	4,833	6,272	2,668	2,335
Retirement benefit costs	204	188	148	66	15
	3,929	5,021	6,420	2,734	2,350

The number of the highest paid employees who are not the directors of the Target Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	No. of employees	*No. of employees*	*No. of employees*	*No. of employees* (unaudited)	*No. of employees*
Nil to HK$1,000,000	4	3	2	5	5
HK$1,000,001 to HK$1,500,000	1	—	—	—	—
HK$1,500,001 to HK$2,000,000	—	2	3	—	—
	5	5	5	5	5

During the Relevant Periods, no emoluments were paid by the Target Company to these individuals as an inducement to join or as compensation for loss of office.

10. FINANCE INCOME AND COSTS

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Finance income					
Interest income from bank	1,742	673	1,985	519	847
Finance costs					
Interest on loan from a shareholder	16,785	—	—	—	—
Interest on bank borrowings	106,113	104,728	95,342	28,930	52,286
Interest on borrowings from trust companies	444,172	444,735	295,007	98,134	90,743
Less: Amount capitalised as properties under development *(note)*	(111,138)	(188,050)	(256,669)	(76,218)	(128,325)
	455,932	361,413	133,680	50,846	14,704

Note: Borrowing costs were capitalised at rate of 6.08%, 6.06%, 6.12%, 6.14% (unaudited) and 6.41% per annum during the each year ended 31 December 2017, 2018 and 2019 and the period ended 30 April 2019 and 2020, respectively.

11. INCOME TAX EXPENSE

PRC enterprise income tax has been calculated on the estimated assessable profit for the year/period derived in the PRC at the rate of 25% for the Relevant Periods.

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Deferred tax charge/(credit) *(Note 21)*	190	(5,069)	20,868	12,369	10,052
	190	(5,069)	20,868	12,369	10,052

The income tax expense/(credit) for the year/period can be reconciled to the loss before tax per the statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before tax	(469,423)	(445,084)	(177,770)	(50,332)	(29,559)
Tax calculated at the applicable tax of 25%	(117,355)	(111,271)	(44,443)	(12,583)	(7,390)
Tax effect of expenses not deductible or tax purposes	155	950	149	55	409
Tax effect of deductible temporary difference not recognised	216	2,804	921	—	968
Utilisation of deductible temporary difference previously not recognised	(96)	(96)	(72)	(48)	(48)
Tax effect of tax loss not recognised	117,270	102,544	64,313	24,945	16,113
Income tax expense/(credit)	190	(5,069)	20,868	12,369	10,052

12. DIVIDENDS

During the year ended 31 December 2017, 2018 and 2019 and the period ended 30 April 2019 and 2020, the Target Company did not declared or paid any dividends to its shareholders.

13. INVENTORIES

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development situated in the PRC (a)	3,536,787	5,129,161	7,470,097	8,366,059
Properties held for sale situated in the PRC	46,794	101,273	45,475	45,099
	3,583,581	5,230,434	7,515,572	8,411,158

(a) Properties under development

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land *(note)*	2,247,783	3,525,091	5,071,909	5,643,551
Construction costs	1,289,004	1,604,070	2,398,188	2,722,508
	3,536,787	5,129,161	7,470,097	8,366,059

Note: The amount of leasehold land mainly represents the payment of leasehold land and expenditures in respect of relocating existing residents on the land on which the property development projects of the Target Company are located.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, leasehold land amounting to RMB nil, RMB2,319,430,000, RMB3,333,993,000 and RMB3,333,993,000, respectively, were pledged to banks and trust companies for the borrowings granted.

The carrying amount of leasehold land is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2017, 2018 and 2019 and 30 April 2020.

14. CONTRACT COSTS

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales commissions	—	36,391	68,171	86,587

Contract costs relate to the incremental sales commissions paid/payable to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Target Company's properties. Contract costs are recognised as part of selling and marketing expenses in the statement of profit or loss in the period in which revenue from the related property sales is recognised.

15. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from shareholders (a)	5,597,596	1,989,119	2,664,619	2,260,619
Amounts due from fellow subsidiaries (a)	49,500	25,500	—	—
Tax prepayments (b)	39,755	108,231	386,639	484,667
Other receivables	7,198	33,498	59,054	57,442
	5,694,049	2,156,348	3,110,312	2,802,728

(a) The amounts due from shareholders and fellow subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

(b) Tax prepayments mainly represent payment for value added tax, land appreciation tax ("LAT") and income tax.

Upon application of HKFRS 9, details of impairment assessment of amounts due from shareholders and fellow subsidiaries and other receivables are set out in Note 26.

16. RESTRICTED BANK DEPOSITS

The balances at 31 December 2018 and 2019 and 30 April 2020 represent deposits received in respect of pre-sale of properties placed to specific bank accounts which are restricted for payments of constructions costs for specified projects.

Restricted bank deposits carry interest at the prevailing market rates which range from 0.30% to 0.35% per annum as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

17. CASH AND BANK DEPOSITS

The carrying amounts of cash and bank deposits are all denominated in RMB, and carry interest at the prevailing market rates which range from 0.30% to 0.35% per annum as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

18. BORROWINGS

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Bank borrowings, secured	—	335,000	100,000	135,000
Bank borrowings, unsecured	50,000	—	—	—
Borrowings from trust companies, secured	—	—	500,000	500,000
Borrowings from trust companies, unsecured	3,500,000	1,001,000	1,000,000	1,000,000
	3,550,000	1,336,000	1,600,000	1,635,000
Non-current				
Bank borrowings, secured	—	1,613,000	2,513,000	2,380,000
Bank borrowings, unsecured	1,948,000	—	—	—
Borrowings from trust companies, secured	—	2,000,000	1,500,000	1,000,000
Borrowings from trust companies, unsecured	4,001,000	2,000,000	1,410,000	1,410,000
	5,949,000	5,613,000	5,423,000	4,790,000

Borrowings from trust companies represent borrowings from Ping An Trust Co. Ltd., China Resources SZITIC Trust Co. Ltd., Anhui Guoyuan Trust Co. Ltd., and CITIC Trust Co. Ltd..

Details of securities for the secured borrowings are set out in Note 13. Certain borrowings are under corporate guarantee executed by the Target Company's ultimate holding company and the immediate holding company of the non-controlling shareholder of the Target Company. Details of the guaranteed borrowings as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings, guaranteed	3,999,000	4,949,000	4,023,000	3,925,000

The carrying amounts of above borrowings are repayable:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
Within one year	50,000	335,000	100,000	135,000
Within a period of more than one year but no more than two years	335,000	100,000	1,135,000	1,330,000
Within a period of more than two years but not exceeding five years	565,000	720,000	940,000	1,050,000
Within a period of more than five years	1,048,000	793,000	438,000	—
	1,998,000	1,948,000	2,613,000	2,515,000

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings from trust companies				
Within one year	3,500,000	1,001,000	1,500,000	1,500,000
Within a period of more than one year but no more than two years	1,001,000	1,500,000	500,000	1,000,000
Within a period of more than two years but not exceeding five years	3,000,000	2,500,000	2,410,000	1,410,000
	7,501,000	5,001,000	4,410,000	3,910,000

The amounts due are based on scheduled repayment dates set out in the loan agreements.

The carrying amounts of borrowings are all denominated in RMB.

The range of effective interest rates (which are also equal to contracted interest rates) on the fixed rate borrowings is as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	%	*%*	*%*	*%*
Effective interest rate per annum	5.80 to 7.45	5.80 to 7.45	5.90 to 7.50	5.90 to 7.50

As at December 31 2017, 2018 and 2019 and 30 April 2020, RMB1,998,000,000, RMB1,948,000,000, RMB1,613,000,000 and RMB1,515,000,000 of borrowings carried a floating interest rate, respectively. The interest rate was determined by the benchmark interest rate quoted by the People's Bank of China and the effective interest rate of these variable-rate borrowings was 5.29% as at 31 December 2017, 2018 and 2019 and 30 April 2020.

19. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables (a)	20,481	81,060	182,673	234,079
Amount due to a shareholder (b)	75,210	75,210	75,210	75,210
Accrued construction costs	—	63,157	69,814	79,460
Other tax payables	982	46,969	47,100	33,460
Interest payables	—	—	—	33,272
Other payables (c)	4,979	45,809	51,376	80,646
	101,652	312,205	426,173	536,127

Notes:

(a) The aging analysis of trade and bills payables of the Target Company based on invoice date or bills issuance date is as follows:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	9,026	67,296	176,386	125,551
91 to 180 days	15	8,256	112	103,007
181 days to 1 year	144	142	395	153
1 to 2 years	7,375	149	2,429	2,093
2 to 3 years	2,164	1,296	82	9
Over 3 years	1,757	3,921	3,269	3,266
	20,481	81,060	182,673	234,079

(b) The amount due to a shareholder were non-trade in nature, unsecured, interest-free and repayable on demand.

(c) Other payables mainly represent management fee payables and factoring payables.

20. CONTRACT LIABILITIES

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of properties	44,025	1,445,516	5,151,312	6,417,749

As at 1 January 2017, the Target Company did not have any contract liabilities.

The Target Company receives the considerations in advance from sales of properties to customers. The advance receipts result in contract liabilities being recognised until the customer obtains control of the completed property.

For the contract liabilities as of 1 January 2017, 2018, 2019 and 2020, RMB nil, RMB44,025,000, RMB70,952,000 and RMB nil of revenue recognised respectively relate to brought-forward contract liabilities during the years ended 31 December 2018 and 2019 and the period ended 30 April 2020, respectively.

21. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities for the Relevant Periods are as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Temporary difference on prepaid LAT and other taxes				
At beginning of the year	8,600	8,790	3,721	24,589
Charge (credit) to profit or loss	190	(5,069)	20,868	10,052
At end of the year	8,790	3,721	24,589	34,641

Due to the unpredictability of future profit streams, as at 31 December 2017, 2018 and 2019 and 30 April 2020, the Target Company had not recognised any deferred tax assets for the unutilised tax losses of approximately RMB927,361,000, RMB1,337,535,000, RMB1,594,783,000 and RMB1,518,312,000 respectively, which will expire at various dates up to and including 2022, 2023, 2024 and 2025.

As at end of 31 December 2017, 2018 and 2019 and 30 April 2020, the Target Company has deductible temporary differences of RMB27,037,000, RMB37,869,000, RMB41,267,000 and RMB44,947,000 respectively, that have not been recognised as deferred tax assets as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

22. RETIREMENT BENEFITS PLANS

As stipulated by rules and regulations in the PRC, the Target Company contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local government. During the Relevant Periods, the Target Company is required to contribute to the plan at rate ranges from 16% to 19% of the basic salary of the PRC employees in addition to contributions by employees at a rate 8% of the basic salary as specified by the local government, and the Target Company has no further obligations for the actual payment of the pensions or post-retirement benefits beyond the annual contributions made.

23. NOTE TO THE STATEMENTS OF CASH FLOWS

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

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before tax	(469,423)	(445,084)	(177,770)	(50,332)	(29,559)
Interest income	(1,742)	(673)	(1,985)	(519)	(847)
Interest expense	455,932	361,413	133,680	50,846	14,704
Depreciation of property, plant and equipment	139	58	49	19	10
Allowance for impairment of other receivables	864	—	—	—	—
Allowance for impairment of inventories	—	20,106	—	—	—
Gain on disposal of property, plant and equipment	—	(4)	(1)	—	—
Operating loss before change in working capital	(14,230)	(64,184)	(46,027)	14	(15,692)
Increase in inventories	(1,014,123)	(1,478,909)	(2,028,469)	(503,265)	(767,261)
Decrease/(increase) in prepayment and other receivables	27,086	(100,680)	(170,380)	(91,095)	(44,325)
Increase in contract costs	—	(36,391)	(31,780)	(7,140)	(18,416)
(Decrease)/increase in trade and other payables	(48,528)	210,553	113,968	(45,271)	76,682
Increase in contract liabilities	44,025	1,401,491	3,705,796	1,828,390	1,266,437
Increase in restricted bank deposits	—	(429,530)	(217,574)	(6,713)	(117,609)
Cash (used in)/generated from operations	(1,005,770)	(497,650)	1,325,534	1,174,920	379,816

(b) Reconciliation of liabilities arising from financing activities:

	Interest payables	Loan from a shareholder	Borrowings	Total
At 1 January 2017	67,428	1,101,000	5,750,000	6,918,428
Financing cash flows	(634,498)	(1,101,000)	3,749,000	2,013,502
Finance costs	567,070	—	—	567,070
At 31 December 2017	—	—	9,499,000	9,499,000
Financing cash flows	(549,463)	—	(2,550,000)	(3,099,463)
Finance costs	549,463	—	—	549,463
At 31 December 2018	—	—	6,949,000	6,949,000
Financing cash flows	(390,349)	—	74,000	(316,349)
Finance costs	390,349	—	—	390,349
At 31 December 2019	—	—	7,023,000	7,023,000
Financing cash flows	(109,757)	—	(598,000)	(707,757)
Finance costs	143,029	—	—	143,029
At 30 April 2020	33,272	—	6,425,000	6,458,272
At 31 December 2018	—	—	6,949,000	6,949,000
Financing cash flows (unaudited)	(98,105)	—	(924,000)	(1,022,105)
Finance costs (unaudited)	127,064	—	—	127,064
At 30 April 2019 (unaudited)	28,959	—	6,025,000	6,053,959

24. FINANCIAL GUARANTEE

As at 31 December 2017, 2018 and 2019 and 30 April 2020, guarantees given to banks for mortgage facilities granted to certain purchasers of the Target Company's properties amounted to RMBnil, RMB121,850,000, RMB63,300,000 and RMB71,780,000 respectively. The Target Company's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks. The directors of the Target Company consider that the fair value of the financial guarantee contracts at initial recognition is not significant. Subsequently, in the opinion of the directors of the Target Company, no provision for the financial guarantee contracts is made, after taking into account the net realisable value of the related properties and the low default rate.

25. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Construction costs to a fellow subsidiary for real estate development projects	—	—	165,462	12,416	50,480
Management fee to the ultimate holding company	—	25,999	23,149	—	—
Interest cost to a shareholder	16,785	—	—	—	—

(b) Balances with related parties

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from shareholders	5,597,596	1,989,119	2,664,619	2,260,619
Amounts due from fellow subsidiaries	49,500	25,500	—	—
Other receivables from fellow subsidiaries *(note (i))*	6	14,790	26,396	28,893
Amount due to a shareholder	75,210	75,210	75,210	75,210
Trade payable to a fellow subsidiary for real estate development projects	—	—	95,397	97,873
Other payable to fellow subsidiaries *(note (i))*	2,722	2,121	9,709	2,121
Management fee payable to the ultimate holding company *(note (i))*	—	25,999	—	—

Note:

(i) Other receivables from fellow subsidiaries, other payable to fellow subsidiaries and management fee payable to ultimate holding company are operating in nature, and are included in other receivables and other payables in Notes 15 and 19.

(c) Key management compensation

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowances	3,725	4,833	6,272	2,668	2,335
Retirement benefit costs	204	188	148	66	15
	3,929	5,021	6,420	2,734	2,350

26. FINANCIAL RISK FACTORS AND MANAGEMENT

(a) Financial risk factors

The Target Company's activities expose it to credit risk, market risk and liquidity risk. These risks are managed by the Target Company's financial management policies and practices as described below to minimize potential adverse effects on the Target Company's financial performance.

(i) Credit risk and impairment assessment

The Target Company's credit risk primarily arises from restricted bank deposits, bank deposits, other receivables (including amounts due from shareholders, amounts due from fellow subsidiaries and other receivables) and financial guarantee contracts (Note 24).

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

The credit risk on other receivables is limited because most of the counterparties are related parties with sound credit. In order to minimize the credit risk of other receivables, the directors of the Target Company review the recoverable amount of each individual debt regularly at each year end during the Relevant Periods and conclude that the counterparties are at a good financial position and have no history of default. In this regard, the directors of the Target Company consider that there is no material credit risk on other receivables.

The Target Company has concentration of credit risk on amounts due from shareholders.

The Target Company has concentration of credit risk on liquid funds which are mainly deposited in state-owned banks in Mainland China.

(ii) Market risk

Interest rate risk

The Target Company is exposed to fair value interest rate risk and cash flow interest rate risk in relation to fixed-rate borrowings and variable-rate borrowings (see note 18 for details of these borrowings), respectively. The Target Company is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits and bank balances.

The Target Company cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark interest rate quoted by the People's Bank of China arising from the Target Company's variable-rate borrowings.

No sensitivity analysis has been presented for bank balances as the directors of the Target Company consider that the fluctuation in interest rates on bank balances is minimal.

If interest rates on variable-rate borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year ended 31 December 2017, 2018 and 2019 and the period ended 30 April 2020 would have been RMB6,024,000, RMB4,805,000, RMB2,071,000 and RMB1,029,000 higher/lower in respect of the finance cost charged to the profit or loss after taking into account the interest capitalisation effect.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management aims to maintain flexibility in funding by keeping credit lines available. Management monitors the rolling forecasts of the Target Company's cash and bank balances (Note 17) on the basis of expected cash flow.

The table below analyses the Target Company's financial liabilities at amortised cost at the end of each reporting period to the contractual maturity date, the earliest date on which the Target Company can be required to pay. The amounts disclosed in the table are the contractual undiscounted cash flows (including both principal and interest).

Financial liabilities	**Weighted average interest rate**	**Repayable on demand or within 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total undiscounted Cash flows**	**Carrying amount**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017							
Trade and other payables		98,947	—	—	—	98,947	98,947
Borrowings	6.08%	4,037,582	1,626,900	4,016,535	1,115,915	10,796,932	9,499,000
		4,136,529	1,626,900	4,016,535	1,115,915	10,895,879	9,597,947

Financial liabilities	**Weighted average interest rate**	**Repayable on demand or within 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total undiscounted Cash flows**	**Carrying amount**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018							
Trade and other payables		263,762	—	—	—	263,762	263,762
Borrowings	6.06%	1,690,900	1,912,820	3,608,983	817,901	8,030,604	6,949,000
Financial guarantee		121,850	—	—	—	121,850	—
		2,076,512	1,912,820	3,608,983	817,901	8,416,216	7,212,762

Financial liabilities	Weighted average interest rate	Repayable on demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted Cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019							
Trade and other payables		379,073	—	—	—	379,073	379,073
Borrowings	6.12%	2,016,110	1,929,962	3,624,782	438,708	8,009,562	7,023,000
Financial guarantee		63,300	—	—	—	63,300	—
		2,458,483	1,929,962	3,624,782	438,708	8,451,935	7,402,073

Financial liabilities	Weighted average interest rate	Repayable on demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted Cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 April 2020							
Trade and other payables		502,667	—	—	—	502,667	502,667
Borrowings	6.41%	2,016,505	2,581,980	2,679,543	—	7,278,028	6,425,000
Financial guarantee		71,780	—	—	—	71,780	—
		2,590,952	2,581,980	2,679,543	—	7,852,475	6,927,667

(b) Fair value estimation

The Directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statement of financial position approximate their respective fair values at the end of each reporting period.

27. SUBSEQUENT EVENTS

Saved as disclosed in the report, subsequent to the end of the Relevant Periods, the following significant event took place:

The unforeseen outbreak of the novel coronavirus epidemic early this year have some negative impact on overall economic and business operation. At the date of this report, the Target Company experienced a decrease in its contracted sales. But the degree of the impact will be affected by the various epidemic prevention and control policies, and the duration and the implementation of such policies. The Target Company will keep paying close attention on the development of the situation and its impact on the business and operating results of the Target Company.

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to the end of the Relevant Periods.

The following is the text of a report set out on pages IIB-1 to IIB-70, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF 五礦地產湖南開發有限公司 MINMETALS LAND HUNAN PROPERTY DEVELOPMENT CO., LTD. AND ITS SUBSIDIARIES TO THE DIRECTORS OF MINMETALS LAND LIMITED

Introduction

We report on the historical financial information of Minmetals Land Hunan Development Co., Ltd. (the "Target Company") and its subsidiaries (together, the "Consolidated Group") set out on pages IIB-4 to IIB-70, which comprises the consolidated statements of financial position of the Consolidated Group as at 31 December 2017, 2018 and 2019 and 30 April 2020, the statement of financial position of the Target Company as at 31 December 2017, 2018 and 2019 and 30 April 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Consolidated Group for each of the three years ended 31 December 2017, 2018 and 2019 and four months ended 30 April 2020 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIB-4 to IIB-70 forms an integral part of this report, which has been prepared for inclusion in the circular of Minmetals Land Limited (the "Company") dated 21 July 2020 (the "Circular") in connection with, among other things, the major acquisition and connected transactions in relation to capital injection in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Consolidated Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Consolidated Group's financial position as at 31 December 2017, 2018 and 2019 and 30 April 2020, of the Target Company's financial position as at 31 December 2017, 2018 and 2019 and 30 April 2020 and of the Consolidated Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Consolidated Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIB-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends declared and paid by the Target Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 July 2020

HISTORICAL FINANCIAL INFORMATION OF THE CONSOLIDATED GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Consolidated Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Four months ended 30 April	
	Notes	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue						
Contracts with customers		2,568,865	1,646,765	2,117,597	488,852	570,806
Leases		22,430	23,363	22,762	5,848	6,051
Total revenue	6	2,591,295	1,670,128	2,140,359	494,700	576,857
Cost of sales		(2,190,991)	(1,248,358)	(1,483,903)	(388,274)	(396,542)
Gross profit		400,304	421,770	656,456	106,426	180,315
Other income, other gains and losses	8	74,237	(510)	(8,723)	1,305	34,024
Fair value changes on investment properties	15	15,001	25,806	10,472	—	(816)
Selling and marketing expenses		(54,891)	(39,094)	(56,298)	(10,965)	(4,167)
Administrative and other expenses		(83,039)	(94,217)	(95,233)	(20,221)	(22,013)
Finance income	10	38,283	38,127	41,435	14,469	10,564
Finance costs	10	(38,621)	(41,009)	(36,257)	(11,923)	(10,146)
Share of result of an associate		22,522	1,171	52,367	(2,909)	13,390
Profit before tax	7	373,796	312,044	564,219	76,182	201,151
Income tax expense	11	(121,234)	(128,338)	(213,886)	(29,695)	(68,772)
Profit and total comprehensive income for the year/period		252,562	183,706	350,333	46,487	132,379
Profit and total comprehensive income for the year/period attributable to:						
Owner of the Target Company		252,562	183,706	360,386	46,996	133,349
Non-controlling interest		—	—	(10,053)	(509)	(970)
		252,562	183,706	350,333	46,487	132,379

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 April 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment		11,616	8,309	6,859	6,263
Intangible assets		176	104	47	34
Investment properties	15	387,600	417,400	81,900	86,840
Interest in an associate	16	583,594	584,765	169,282	182,672
Loan to an intermediate holding company	29	460,000	460,000	—	—
Deferred tax assets	24	81,328	99,616	125,730	110,329
		1,524,314	1,570,194	383,818	386,138
Current assets					
Inventories	17	3,491,373	4,704,630	4,142,288	3,998,972
Prepayments, trade and other receivables	18	680,107	1,025,061	1,266,279	894,844
Restricted bank deposits	19	95,273	131,428	233,032	254,007
Cash and bank deposits	19	854,191	325,634	152,526	300,141
		5,120,944	6,186,753	5,794,125	5,447,964
Assets included in disposal group classified as held for sale	12	—	—	369,363	—
Assets included in disposal group classified as held for distribution to owner	12	—	—	1,377,819	1,540,596
		5,120,944	6,186,753	7,541,307	6,988,560
Total assets		6,645,258	7,756,947	7,925,125	7,374,698
EQUITY					
Paid-in capital		300,000	300,000	300,000	300,000
Reserves		701,394	809,852	910,536	1,043,885
Equity attributable to owners of the Target Company		1,001,394	1,109,852	1,210,536	1,343,885
Non-controlling interest		—	—	189,947	188,977
Total equity		1,001,394	1,109,852	1,400,483	1,532,862

	Notes	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 April 2020
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	20	432,143	432,143	—	470,000
Deferred income	23	—	—	255,500	255,500
Other liabilities		27,857	27,857	—	—
		460,000	460,000	255,500	725,500
Current liabilities					
Borrowings	20	1,292,593	1,276,234	1,582,759	970,616
Trade and other payables	21	1,578,800	2,058,192	1,049,172	1,106,285
Contract liabilities	22	2,264,061	2,833,072	2,223,987	1,879,369
Taxation payable		48,410	19,597	135,584	135,190
Other liabilities		—	—	27,857	—
		5,183,864	6,187,095	5,019,359	4,091,460
Liabilities associated with disposal group classified as held for sale	12	—	—	320,269	—
Liabilities associated with disposal group classified as held for distribution to owner	12	—	—	929,514	1,024,876
		5,183,864	6,187,095	6,269,142	5,116,336
Total liabilities		5,643,864	6,647,095	6,524,642	5,841,836
Total equity and liabilities		6,645,258	7,756,947	7,925,125	7,374,698
Net current (liabilities)/assets		(62,920)	(342)	1,272,165	1,872,224
Total assets less current liabilities		1,461,394	1,569,852	1,655,983	2,258,362

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

	Notes	As at 31 December 2017	2018	2019	As at 30 April 2020
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment		4,732	3,309	2,147	1,741
Intangible assets		109	66	32	22
Investment properties		30,700	32,100	33,900	33,840
Investment in subsidiaries		377,571	387,571	577,571	547,571
Interest in an associate	16	583,594	584,765	169,282	182,672
Deferred tax assets		5,555	5,561	922	922
		1,002,261	1,013,372	783,854	766,768
Current assets					
Inventories		16,954	15,794	14,898	14,898
Prepayments, trade and other receivables	32	1,791,039	2,940,916	1,751,079	1,730,918
Cash and bank deposits	19	396,141	347	3,912	13,016
		2,204,134	2,957,057	1,769,889	1,758,832
Total assets		3,206,395	3,970,429	2,553,743	2,525,600
EQUITY					
Paid-in capital		300,000	300,000	300,000	300,000
Reserves	32	427,334	394,584	449,379	467,187
Total equity		727,334	694,584	749,379	767,187
LIABILITIES					
Current liabilities					
Borrowings	20	1,292,593	1,276,234	621,136	621,136
Trade and other payables	32	1,186,468	1,999,611	1,173,799	1,126,406
Taxation payable		—	—	9,429	10,871
		2,479,061	3,275,845	1,804,364	1,758,413
Total liabilities		2,479,061	3,275,845	1,804,364	1,758,413
Total equity and liabilities		3,206,395	3,970,429	2,553,743	2,525,600
Net current (liabilities)/assets		(274,927)	(318,788)	(34,475)	419
Total assets less current liabilities		727,334	694,584	749,379	767,187

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company					
	Paid-in capital *RMB'000*	**Statutory reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interest** *RMB'000*	**Total** *RMB'000*
At 1 January 2017	300,000	119,848	423,353	843,201	—	843,201
Profit and total comprehensive income for the year	—	—	252,562	252,562	—	252,562
Provided for statutory reserve	—	16,173	(16,173)	—	—	—
Dividends *(Note 14)*	—	—	(94,369)	(94,369)	—	(94,369)
At 31 December 2017	300,000	136,021	565,373	1,001,394	—	1,001,394
Profit and total comprehensive income for the year	—	—	183,706	183,706	—	183,706
Provided for statutory reserve	—	4,250	(4,250)	—	—	—
Dividends *(Note 14)*	—	—	(75,248)	(75,248)	—	(75,248)
At 31 December 2018	300,000	140,271	669,581	1,109,852	—	1,109,852
Contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	200,000	200,000
Profit and total comprehensive income for the year	—	—	360,386	360,386	(10,053)	350,333
Provided for statutory reserve	—	9,729	(9,729)	—	—	—
Dividends *(Note 14)*	—	—	(259,702)	(259,702)	—	(259,702)
At 31 December 2019	300,000	150,000	760,536	1,210,536	189,947	1,400,483
Profit and total comprehensive income for the period	—	—	133,349	133,349	(970)	132,379
At 30 April 2020	300,000	150,000	893,885	1,343,885	188,977	1,532,862
At 1 January 2019	300,000	140,271	669,581	1,109,852	—	1,109,852
Contribution from a non-controlling shareholder of a subsidiary (unaudited)	—	—	—	—	10,000	10,000
Profit and total comprehensive income for the period (unaudited)	—	—	46,996	46,996	(509)	46,487
At 30 April 2019 (unaudited)	300,000	140,271	716,577	1,156,848	9,491	1,166,339

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities						
Cash generated from/(used in) operations	25	1,193,433	(662,317)	592,954	(240,130)	156,200
Income tax paid		(73,190)	(148,277)	(285,899)	(80,417)	(44,470)
Interest paid		(126,991)	(96,594)	(82,605)	(67,661)	(38,992)
Net cash generated from/(used in) operating activities		993,252	(907,188)	224,450	(388,208)	72,738
Investing activities						
Purchase of property, plant and equipment		(819)	(626)	(1,381)	(350)	(77)
Development cost paid for investment properties		(8,099)	(3,994)	(8,428)	—	(4,856)
Proceeds from disposal of property, plant and equipment		149	119	93	—	100
Government subsidy received for construction of investment properties	23	—	—	255,500	255,500	—
Repayment from/(advance to) fellow subsidiaries		(2,100)	1,220	(63,052)	10,966	72,239
(Advance to)/repayment from an immediate holding company		(1,353)	1,353	(41,504)	—	27,421
Repayments from/(advance to) an intermediate holding company		601,865	119,584	(403,278)	30,735	204,200
Net cash from disposal of a subsidiary	26	71,922	—	—	—	29,979
Interest received		38,283	38,127	41,435	14,469	10,564
Capital reduction received from an associate	16	—	—	467,850	—	—
Net cash generated from investing activities		699,848	155,783	247,235	311,320	339,570

	Notes	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financing activities						
New borrowings		100,000	285,000	529,480	784,480	470,000
Repayment of borrowings		(1,050,000)	(301,359)	(655,098)	(655,098)	(612,143)
(Repayment to)/advance from an associate		(5,450)	210,030	(301,880)	(4,000)	—
(Repayment to)/advance from the immediate holding company		(38,706)	97,458	(104,896)	(98,971)	12,951
Advance from/(repayment to) fellow subsidiaries		99,502	6,967	(1,311)	4,850	(100,883)
Advance from a non-controlling shareholder of a subsidiary		—	—	74,615	36,353	8,922
Repayment of other liabilities		—	—	—	—	(27,857)
Dividends paid		(94,369)	(75,248)	(259,702)	—	—
Contributions from a non-controlling shareholder of a subsidiary		—	—	200,000	10,000	—
Net cash (used in)/generated from financing activities		(989,023)	222,848	(518,792)	77,614	(249,010)
Increase/(decrease) in cash and cash equivalents		704,077	(528,557)	(47,107)	726	163,298
Cash and cash equivalents at beginning of the year		150,114	854,191	325,634	325,634	278,527
Cash and cash equivalents at end of the year/period represented by		854,191	325,634	278,527	326,360	441,825
Cash and bank deposits		854,191	325,634	152,526	326,360	300,141
Reclassified as held for sale	12	—	—	5	—	—
Reclassified as held for distribution to owner	12	—	—	125,996	—	141,684

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Target Company is a limited liability company established in the People's Republic of China (the "PRC") on 26 April 2002. Its immediate holding company is The 23th Metallurgical Construction Group Co., Ltd which was established in the PRC and its ultimate holding company is China Minmetals Corporation ("China Minmetals") which was established in the PRC.

The address of the registered office of the Target Company is North Building 16/F, Wanjing Financial and Intelligence Center, the second part of Xiangfu East Road, Yuhua District, Changsha, the PRC.

The Consolidated Group is principally engaged in property development and investment in the PRC. The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Target Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Company Ordinance.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Consolidated Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2020 throughout the Relevant Periods, except that the Consolidated Group applied HKFRS 9 *Financial Instruments* from 1 January 2018 and HKAS 39 *Financial Instruments: Recognition and Measurement* for the year ended 31 December 2017. The accounting policies for financial instruments under HKFRS 9 and HKAS 39 are set out in Note 4 below.

Impact and changes in accounting policies of application on HKFRS 9

Since 1 January 2018, the Consolidated Group has applied HKFRS 9 and related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, lease receivables, contract assets and financial guarantee contracts) and 3) general hedge accounting.

The Consolidated Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings as at 1 January 2018, without restating the financial information for the year ended 31 December 2017. The initial application of HKFRS 9 had no material impact on the Consolidated Group's financial positions and performance for the Relevant Periods.

New and amendments HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[3]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 June 2020

The directors of the Target Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the Consolidated Group's consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Company Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Consolidated Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial information of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Consolidated Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Consolidated Group obtains control over the subsidiary and ceases when the Consolidated Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Consolidated Group gains control until the date when the Consolidated Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Consolidated Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Consolidated Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Consolidated Group's interests in existing subsidiaries

Changes in the Consolidated Group's interests in subsidiaries that do not result in the Consolidated Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Consolidated Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Consolidated Group and the non-controlling interests according to the Consolidated Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

When the Consolidated Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Target Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Consolidated Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates

An associate is an entity over which the Consolidated Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Historical financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Consolidated Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Consolidated Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Consolidated Group. When the Consolidated Group's share of losses of an associate exceeds the Consolidated Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Consolidated Group's net investment in the associate), the Consolidated Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Consolidated Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Consolidated Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Consolidated Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Consolidated Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Consolidated Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Consolidated Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Consolidated Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Consolidated Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Consolidated Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Consolidated Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Consolidated Group reduces its ownership interest in an associate but the Consolidated Group continues to use the equity method, the Consolidated Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Consolidated Group, profits and losses resulting from the transactions with the associate are recognised in the Consolidated Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Consolidated Group.

Disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Consolidated Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Consolidated Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Consolidated Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Consolidated Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9/HKAS 39 and investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

The Consolidated Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset that the customer controls as the entity performs; or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Consolidated Group's obligation to transfer goods or services to a customer for which the Consolidated Group has received consideration (or an amount of consideration is due) from the customer.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Consolidated Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Consolidated Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Consolidated Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Consolidated Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Consolidated Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- any lease payments made at or before the commencement date, less any lease incentives received; and

- any initial direct costs incurred by the Consolidated Group.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties" and "inventories" respectively.

The Consolidated Group as a lessor

Classification and measurement of leases

Leases for which the Consolidated Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Consolidated Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Consolidated Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Consolidated Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Consolidated Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Consolidated Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Consolidated Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Employee benefits

Short-term employee benefit

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Pension obligations

Consolidated Group companies participate in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC.

The Consolidated Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when employees have rendered service entitling them to the contributions 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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Consolidated Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which those temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Group expects, at the end of each reporting periods, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction cost incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment on tangible and intangible assets other than goodwill

At the end of each reporting period, the Consolidated Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Consolidated Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories represent properties under development and completed properties held for sale.

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to properties for sale upon completion.

Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transition in Note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss.

In addition, the Consolidated Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition in Note 3)

The Consolidated Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, restricted bank deposits, cash and bank deposits and loan to an intermediate holding company), and other item (financial guarantee contracts) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Consolidated Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Consolidated Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually. For all other instruments, the Consolidated Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Consolidated Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Consolidated Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Consolidated Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, the Consolidated Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Consolidated Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Consolidated Group considers the changes in the risk that the specified debtor will default on the contract.

The Consolidated Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Consolidated Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Consolidated Group, in full (without taking into account any collaterals held by the Consolidated Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Consolidated Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Consolidated Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Consolidated Group in accordance with the contract and the cash flows that the Consolidated Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Consolidated Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Consolidated Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Consolidated Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Consolidated Group recognises an impairment gain or loss in profit or loss for all financial instruments by recognising the corresponding adjustment through a loss allowance account, with the exception of financial guarantee contracts where the Consolidated Group recognises an impairment gain or loss by adjusting their carrying amount.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of 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. Subsequent to initial recognition, loans and receivables (including trade and other receivables and loan to an intermediate holding company) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

For financial assets at amortised cost, the Consolidated Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation, and where observable data indicate that there is decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit to profit of loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Consolidated Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments issued by the Consolidated Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including borrowings and trade and other payables are subsequently measured at amortised cost using effective interest method.

Derecognition/substantial modification of financial liabilities

The Consolidated Group derecognises financial liabilities when, and only when, the Consolidated Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Consolidated Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Consolidated Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Consolidated Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities (under HKFRS 9 since 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Non-substantial modifications of financial liabilities (before application of HKFRS 9 on 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

Contingent liabilities

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 Consolidated 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 Consolidated Group's financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATION UNCERTAINTY

In the application of the Consolidated Group's accounting policies, which are described in Note 4, the directors of the Target Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Target Company have made in the process of applying the Consolidated Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Target Company have reviewed the Consolidated Group's investment property portfolios and concluded that the Consolidated Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Target Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

Key estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

As at 31 December 2017, 2018 and 2019 and 30 April 2020, deferred tax assets of RMB81,328,000, RMB99,616,000, RMB125,730,000 and RMB110,329,000 have been recognised in the Consolidated Group's consolidated statement of financial position as set out in Note 24. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Estimated impairment of inventories

The Consolidated Group tests regularly whether inventories have suffered any impairment based on the assessment of net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, and the amounts the inventories are expected to realise. Significant management estimates are required in the estimates. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of inventories and the impairment loss.

6. REVENUE AND SEGMENT INFORMATION

The Consolidated Group's revenue is mainly derived from the sales of properties. For contracts entered into with customers on sales of properties, the Consolidated Group's performance does not create an asset with alternative use to the Consolidated Group. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Consolidated Group concluded that the Consolidated Group does not have an enforceable right to payment prior to transfer of the relevant properties to the customer. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Consolidated Group has present right to payment and collection of the consideration is probable.

Revenue from leases was under operating lease with fixed lease payment.

The transaction price allocated to the remaining performance obligations as at 31 December 2017, 2018 and 2019 and 30 April 2020 were RMB2,627,600,000, RMB3,382,744,000, RMB3,025,901,000 and RMB2,920,917,000 respectively and all is expected to be recognised as revenue within two years.

The directors of the Target Company, being the chief operating decision maker, review the Consolidated Group's internal financial reports in order to assess performance and allocate resources as a whole for the years ended 31 December 2017 and 2018. During the year ended 31 December 2019, the directors of the Target

Company resolved to dispose two wholly-owned subsidiaries and the Consolidated Group reorganised its internal reporting structure to separate two reportable segments, one reportable segment includes two subsidiaries proposed to be disposed ("Proposed Disposal Group") and the other reportable segment includes the Target Company and all subsidiaries other than those included in Proposed Disposal Group ("Target Group"). Details of the proposed disposal are set out in Note 12. Segment disclosures for the years ended 31 December 2017 and 2018 and four months ended 30 April 2019 (unaudited) have been represented to conform with the presentation for the year ended 31 December 2019 and for the four months ended 30 April 2020.

The directors of the Target Company makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the directors does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

No geographical segment information is presented as all of the Consolidated Group's revenue is generated from and all non-current assets are located in the PRC.

No revenue from a single customer or a group of customers under common control contributed 10% or more of the Consolidated Group's revenue during the Relevant Periods.

Segment revenue and results

The following is an analysis of the Consolidated Group's revenue and results by reportable segments:

For the year ended 31 December 2017 (re-presented)

	Target Group	Proposed Disposal Group	Inter-segment eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
Contracts with customers	1,618,081	954,384	(3,600)	2,568,865
Leases	2,496	21,077	(1,143)	22,430
Total revenue	1,620,577	975,461	(4,743)	2,591,295
Cost of sales	(1,258,528)	(932,463)	—	(2,190,991)
Gross profit	362,049	42,998	(4,743)	400,304
Other income, other gains and losses	69,685	4,552	—	74,237
Fair value changes on investment properties	601	14,400	—	15,001
Selling and marketing expenses	(34,630)	(20,261)	—	(54,891)
Administrative and other expenses	(61,954)	(22,228)	1,143	(83,039)
Finance income	81,411	553	(43,681)	38,283
Finance costs	(38,621)	(2,365)	2,365	(38,621)
Share of result of an associate	22,522	—	—	22,522
Profit before tax	401,063	17,649	(44,916)	373,796
Income tax expense	(120,025)	(1,209)	—	(121,234)
Profit and total comprehensive income for the year	281,038	16,440	(44,916)	252,562

For the year ended 31 December 2018 (re-presented)

	Target Group	Proposed Disposal Group	Inter-segment eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
Contracts with customers	798,194	851,044	(2,473)	1,646,765
Leases	2,831	21,108	(576)	23,363
Total revenue	801,025	872,152	(3,049)	1,670,128
Cost of sales	(635,319)	(613,039)	—	(1,248,358)
Gross profit	165,706	259,113	(3,049)	421,770
Other income, other gains and losses	(1,781)	1,271	—	(510)
Fair value changes on investment properties	(594)	26,400	—	25,806
Selling and marketing expenses	(26,414)	(12,680)	—	(39,094)
Administrative and other expenses	(77,808)	(19,458)	3,049	(94,217)
Finance income	72,807	993	(35,673)	38,127
Finance costs	(41,009)	(4,753)	4,753	(41,009)
Share of result of an associate	1,171	—	—	1,171
Profit before tax	92,078	250,886	(30,920)	312,044
Income tax expense	(38,056)	(90,282)	—	(128,338)
Profit and total comprehensive income for the year	54,022	160,604	(30,920)	183,706

For the year ended 31 December 2019

	Target Group	Proposed Disposal Group	Inter-segment eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
Contracts with customers	1,273,151	848,007	(3,561)	2,117,597
Leases	2,520	20,963	(721)	22,762
Total revenue	1,275,671	868,970	(4,282)	2,140,359
Cost of sales	(837,061)	(646,842)	—	(1,483,903)
Gross profit	438,610	222,128	(4,282)	656,456
Other income, other gains and losses	1,112	(9,835)	—	(8,723)
Fair value changes on investment properties	1,372	9,100	—	10,472
Selling and marketing expenses	(51,770)	(8,089)	3,561	(56,298)
Administrative and other expenses	(70,204)	(25,750)	721	(95,233)
Finance income	58,853	1,294	(18,712)	41,435
Finance costs	(36,257)	—	—	(36,257)
Share of result of an associate	52,367	—	—	52,367
Profit before tax	394,083	188,848	(18,712)	564,219
Income tax expense	(120,160)	(93,726)	—	(213,886)
Profit and total comprehensive income for the year	273,923	95,122	(18,712)	350,333

For the four months ended 30 April 2020

	Target Group	Proposed Disposal Group	Inter-segment eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
Contracts with customers	567,122	3,723	(39)	570,806
Leases	747	5,304	—	6,051
Total revenue	567,869	9,027	(39)	576,857
Cost of sales	(395,404)	(1,138)	—	(396,542)
Gross profit	172,465	7,889	(39)	180,315
Other income, other gains and losses	35,311	(1,287)	—	34,024
Fair value changes on investment properties	84	(900)	—	(816)
Selling and marketing expenses	(3,459)	(747)	39	(4,167)
Administrative and other expenses	(20,134)	(1,879)	—	(22,013)
Finance income	14,680	178	(4,294)	10,564
Finance costs	(10,146)	—	—	(10,146)
Share of result of an associate	13,390	—	—	13,390
Profit before tax	202,191	3,254	(4,294)	201,151
Income tax expense	(68,750)	(22)	—	(68,772)
Profit and total comprehensive income for the period	133,441	3,232	(4,294)	132,379

For the four months ended 30 April 2019 (unaudited) (re-presented)

	Target Group	Proposed Disposal Group	Inter-segment eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
Contracts with customers	464,827	24,539	(514)	488,852
Leases	842	5,006	—	5,848
Total revenue	465,669	29,545	(514)	494,700
Cost of sales	(359,287)	(28,987)	—	(388,274)
Gross profit	106,382	558	(514)	106,426
Other income, other gains and losses	642	663	—	1,305
Selling and marketing expenses	(6,555)	(4,924)	514	(10,965)
Administrative and other expenses	(15,781)	(4,440)	—	(20,221)
Finance income	24,022	314	(9,867)	14,469
Finance costs	(11,923)	—	—	(11,923)
Share of result of an associate	(2,909)	—	—	(2,909)
Profit/(loss) before tax	93,878	(7,829)	(9,867)	76,182
Income tax expense	(29,695)	—	—	(29,695)
Profit/(loss) and total comprehensive income/(expense) for the period	64,183	(7,829)	(9,867)	46,487

Other segment information

For the year ended 31 December 2017 (re-presented)

	Target Group	Proposed Disposal Group	Inter-segment Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	3,563	1,107	—	4,670
Amortisation of intangible assets	83	3	—	86
Employee benefit expenses	38,174	4,213	—	42,387
Reversal of impairment of trade and other receivable	(6,274)	(853)	—	(7,127)
Write-down of inventories	1,260	—	—	1,260
Gain on disposal of a subsidiary	67,452	—	—	67,452
Interest income from bank deposits	1,473	553	—	2,026
Interest income from loan to an intermediate holding company	36,257	—	—	36,257
Interest on borrowings	126,991	43,681	(43,681)	126,991
Borrowing costs capitalised in the cost of properties under development and investment properties under construction	(88,370)	(41,316)	41,316	(88,370)
Current tax				
PRC enterprise income tax	66,805	—	—	66,805
Land appreciation tax	46,889	4,455	—	51,344
Deferred tax charge/(credit)	6,331	(3,246)	—	3,085

For the year ended 31 December 2018 (re-presented)

	Target Group	**Proposed Disposal Group**	**Inter-segment eliminations**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	2,978	836	—	3,814
Amortisation of intangible assets	69	3	—	72
Employee benefit expenses	44,263	4,973	—	49,236
Allowance for/(reversal of) impairment of trade and other receivable	438	(453)	—	(15)
Write-down of inventories	8,030	—	—	8,030
Interest income from bank deposits	877	993	—	1,870
Interest income from loan to an intermediate holding company	36,257	—	—	36,257
Interest on borrowings	96,594	35,673	(35,673)	96,594
Borrowing costs capitalised in the cost of properties under development and investment properties under construction	(55,585)	(30,920)	30,920	(55,585)
Current tax				
PRC enterprise income tax	25,905	50,090	—	75,995
Land appreciation tax	22,974	47,657	—	70,631
Deferred tax credit	(10,823)	(7,465)	—	(18,288)

For the year ended 31 December 2019

	Target Group	Proposed Disposal Group	Inter-segment eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	2,114	307	—	2,421
Amortisation of intangible assets	57	—	—	57
Employee benefit expenses	41,692	6,105	—	47,797
Allowance for impairment of trade and other receivable	5,486	573	—	6,059
Interest income from bank deposits	3,884	1,294	—	5,178
Interest income from loan to an intermediate holding company	36,257	—	—	36,257
Interest on borrowings	156,212	18,712	(18,712)	156,212
Borrowing costs capitalised in the cost of properties under development and investment properties under construction	(119,955)	(18,712)	18,712	(119,955)
Current tax				
PRC enterprise income tax	153,908	2,275	—	156,183
Land appreciation tax	35,978	64,440	—	100,418
Deferred tax (credit) charge	(69,726)	27,011	—	(42,715)

For the four months ended 30 April 2020

	Target Group	Proposed Disposal Group	Inter-segment eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	580	26	—	606
Amortisation of intangible assets	13	—	—	13
Employee benefit expenses	10,079	406	—	10,485
Interest income from bank deposits	602	178	—	780
Interest income from loan to an intermediate holding company	9,784	—	—	9,784
Interest on borrowings	38,992	4,294	(4,294)	38,992
Borrowing costs capitalised in the cost of properties under development and investment properties under construction	(28,846)	(4,294)	4,294	(28,846)
Current tax				
PRC enterprise income tax	15,572	—	—	15,572
Land appreciation tax	37,777	22	—	37,799
Deferred tax charge	15,401	—	—	15,401

7. PROFIT BEFORE TAX

Profit before tax for the year/period has been arrived at after charging (crediting):

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation of property, plant and equipment	4,670	3,814	2,421	687	606
Amortisation of intangible assets	86	72	57	20	13
Total depreciation and amortisation	4,756	3,886	2,478	707	619
Employee benefit expenses (including directors' emoluments)	42,387	49,236	47,797	13,655	10,485
Auditor's remuneration	242	210	380	—	—
(Reversal of)/allowance for impairment of trade and other receivables	(7,127)	(15)	6,059	(79)	(6)
Write-down of inventories	1,260	8,030	—	—	—

8. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Gain on disposal of a subsidiary *(Note 26)*	67,452	—	—	—	34,974
Others	6,785	(510)	(8,723)	1,305	(950)
	74,237	(510)	(8,723)	1,305	34,024

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of the directors for the Relevant Periods is set out below:

For the year ended 31 December 2017

Name of directors	Fees	Salaries and allowances	Discretionary bonuses	Employer's contribution to pension scheme	Share option benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Yin Changjiang	—	118	617	58	—	793
Ms. Xie Yi	—	100	617	58	—	775
Ms. Ma Min	—	102	589	58	—	749
	—	320	1,823	174	—	2,317

For the year ended 31 December 2018

Name of directors	Fees	Salaries and allowances	Discretionary bonuses	Employer's contribution to pension scheme	Share option benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Yin Changjiang	—	684	397	52	—	1,133
Ms. Xie Yi	—	565	313	52	—	930
Ms. Ma Min	—	499	302	52	—	853
	—	1,748	1,012	156	—	2,916

For the year ended 31 December 2019

Name of directors	Fees	Salaries and allowances	Discretionary bonuses	Employer's contribution to pension scheme	Share option benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Yin Changjiang	—	684	213	171	—	1,068
Ms. Xie Yi	—	565	176	155	—	896
Ms. Ma Min	—	499	177	143	—	819
	—	1,748	566	469	—	2,783

For the four months ended 30 April 2020

Name of directors	Fees	Salaries and allowances	Discretionary bonuses	Employer's contribution to pension scheme	Share option benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Yin Changjiang	—	228	—	6	—	234
Ms. Xie Yi	—	188	—	6	—	194
Ms. Ma Min	—	166	—	6	—	172
	—	582	—	18	—	600

For the four months ended 30 April 2019 (unaudited)

Name of directors	Fees	Salaries and allowances	Discretionary bonuses	Employer's contribution to pension scheme	Share option benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Yin Changjiang	—	228	—	24	—	252
Ms. Xie Yi	—	188	—	24	—	212
Ms. Ma Min	—	166	—	24	—	190
	—	582	—	72	—	654

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Consolidated Group to the directors as an inducement to join or as compensation for loss of office.

(b) Five highest paid individuals

During the Relevant Periods, the five highest paid individuals in the Consolidated Group include three directors. Details of the emoluments of remaining two individuals are as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	189	762	793	245	203
Discretionary bonuses	894	361	168	—	—
Employer's contribution to pension scheme	100	113	179	43	28
	1,183	1,236	1,140	288	231

The number of the highest paid employees who are not the directors of the Target Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	No. of employees	*No. of employees*	*No. of employees*	*No. of employees*	*No. of employees*
Nil to HK$1,000,000	2	2	2	2	2

During the Relevant Periods, no emoluments were paid by the Consolidated Group to these individuals as an inducement to join or as compensation for loss of office.

10. FINANCE INCOME AND COSTS

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Finance income					
Interest income from bank deposits	2,026	1,870	5,178	590	780
Interest income from loan to an intermediate holding company	36,257	36,257	36,257	13,879	9,784
	38,283	38,127	41,435	14,469	10,564
Finance costs					
Interest on borrowings	126,991	96,594	156,212	67,661	38,992
Less: Amounts capitalised in the cost of properties under development and investment properties under construction *(note)*	(88,370)	(55,585)	(119,955)	(55,738)	(28,846)
	38,621	41,009	36,257	11,923	10,146

Note: Borrowing costs were capitalised at rates ranging from 5.0% to 5.8% per annum for the year ended 31 December 2017 and at rate of 5.8% per annum for the years ended 31 December 2018 and at rates ranging from 5.8% to 8% per annum (unaudited) for the four months ended 30 April 2019 and for the year ended 31 December 2019 and at the rates ranging from 4.94% to 8% per annum for the four months ended 30 April 2020, respectively.

11. INCOME TAX EXPENSE

The PRC enterprise income tax has been calculated on the estimated assessable profit for the year derived in the Mainland China at the statutory tax rate of 25% for the Relevant Periods.

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 estimated deductible expenditures including costs of land use right and development and construction expenditures.

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
PRC enterprise income tax	66,805	75,995	156,183	21,486	15,572
Land appreciation tax	51,344	70,631	100,418	8,189	37,799
	118,149	146,626	256,601	29,675	53,371
Deferred tax charge/(credit) *(Note 24)*	3,085	(18,288)	(42,715)	20	15,401
	121,234	128,338	213,886	29,695	68,772

The tax charge for the Relevant Periods can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	373,796	312,044	564,219	76,182	201,151
Tax at the enterprise income tax rate of 25%	93,449	78,011	141,055	19,046	50,288
Land appreciation tax	51,344	70,631	100,418	8,189	37,799
Tax effect of land appreciation tax	(12,836)	(17,658)	(25,105)	(2,047)	(9,450)
Tax effect of share of result of an associate	(5,631)	(293)	(13,092)	727	(3,348)
Effect of disposal of a subsidiary	—	—	—	—	(8,743)
Tax effect of expenses not deductible for tax purpose	40	309	3,590	8	201
Tax effect of tax losses/ deductible temporary differences not recognised	12,123	6,951	27,721	19,231	2,833
Utilisation of tax losses previously not recognised	(10,838)	(544)	(15,465)	(15,459)	(17)
Others	(6,417)	(9,069)	(5,235)	—	(791)
Income tax expense for the year/period	121,234	128,338	213,886	29,695	68,772

12. DISPOSAL GROUP HELD FOR SALE/DISTRIBUTION TO OWNER

On 30 September 2019, the directors of the Target Company resolved to distribute 湖南東潤房地產開發有限公司 ("Hunan Dongrun"), a wholly-owned subsidiary which engaged in real estate development and property investment operations in Changsha City, Hunan Province to its immediate holding company. On 20 December 2019, the director of the Target Company resolved to sell its equity interests held in 五礦地產(萊蕪)開發有限公司 ("Minmetals Land Laiwu"), a wholly-owned subsidiary which engaged in real estate development operation in Laiwu City, Shandong Province, to interested third parties at a consideration not less than its net book value, and accordingly no impairment loss has been recognised. These two subsidiaries, presented as the Proposed Disposal Group in the Consolidated Group's segment information in Note 6, are expected to be disposed of within twelve months and have been classified as a disposal group held for distribution to owner and held for sale respectively and are presented separately in the consolidated statement of financial position as at 31 December 2019.

The major classes of assets and liabilities of the disposal group held for sale as at 31 December 2019, which have presented separately in the consolidated statement of financial position, are as follows:

Disposal group held for sale

	Minmetals Land Laiwu At 31 December 2019 *RMB'000*
Property, plant and equipment	118
Deferred tax assets	23
Inventories	344,216
Prepayments, trade and other receivables	10,621
Restricted bank deposits	14,380
Cash and bank deposits	5
Total assets classified as held for sale	369,363
Trade and other payables	282,474
Contract liabilities	37,795
Total liabilities associated with assets classified held for sale	320,269

Minmetals Land Laiwu has been disposed in March 2020. Details of the disposal have been set out in Note 26.

The major classes of assets and liabilities of the disposal group held for distribution to owner as at 31 December 2019 and 30 April 2020, which have presented separately in the consolidated statement of financial position, are as follows:

Disposal group held for distribution to owner

	Hunan Dongrun	
	At 31 December 2019	**At 30 April 2020**
	RMB'000	*RMB'000*
Property, plant and equipment	199	174
Investment properties	354,400	353,500
Deferred tax assets	16,578	16,578
Inventories	549,054	639,046
Prepayments, trade and other receivables	310,560	370,600
Restricted bank deposits	21,032	19,014
Cash and bank deposits	125,996	141,684
Total assets classified as held for distribution to owner	1,377,819	1,540,596
Trade and other payables	411,463	334,664
Contract liabilities	518,051	690,212
Total liabilities associated with assets classified held for distribution to owner	929,514	1,024,876

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

14. DIVIDENDS

During the years ended 31 December 2017, 2018 and 2019, the Target Company declared and paid dividends of RMB94,369,000, RMB75,248,000 and RMB259,702,000, respectively, to its shareholders. During four months period ended 30 April 2020, no dividend was declared or paid by the Target Company.

15. INVESTMENT PROPERTIES

The Consolidated Group leases out various properties under operating leases with fixed rentals payable monthly. The leases run for a fixed period of 1 to 5 years.

The Consolidated Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	Investment properties	**Investment properties under construction**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
FAIR VALUE			
At 1 January 2017	334,500	30,000	364,500
Construction cost incurred	—	8,099	8,099
Net increase (decrease) in fair value recognised in profit or loss	15,100	(99)	15,001
At 31 December 2017	349,600	38,000	387,600
Construction cost incurred	—	3,994	3,994
Net increase (decrease) in fair value recognised in profit or loss	27,800	(1,994)	25,806
At 31 December 2018	377,400	40,000	417,400
Construction cost incurred	—	8,428	8,428
Net increase (decrease) in fair value recognised in profit or loss	10,900	(428)	10,472
Reclassified as held for distribution to owner	(354,400)	—	(354,400)
At 31 December 2019	33,900	48,000	81,900
Construction cost incurred	—	4,856	4,856
Net (decrease)/increase in fair value recognised in profit or loss	(60)	144	84
At 30 April 2020	33,840	53,000	86,840

The fair value of the Consolidated Group's investment properties as at 31 December 2017, 2018 and 2019 and 30 April 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected to the Consolidated Group. The valuation for completed investment properties was arrived at by considering the income capitalisation of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions as direct comparison. The valuation for investment properties under construction was arrived at by direct comparison method.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Property 1	Level 3	Direct comparison method	Unit accommodation value, taking into account the resent transaction prices for similar properties adjusted for nature, location and conditions of the property, being RMB500/sq.m. (2019: RMB500/sq.m.; 2018: RMB495/sq.m.; 2017: RMB490/sq.m.)
Property 2	Level 3	Direct comparison method and income method	Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties of 6% (2019: 6%; 2018: 6%; 2017: 6%)
		The key inputs are: 1. Reversionary yield; and 2. Market unit rate	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, being RMB17,345/sq.m. (2019: RMB17,380 sq.m.; 2018: RMB16,384/sq.m.; 2017: RMB15,682/sq.m.)
Property 3	Level 3	Direct comparison method and income method	Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties of 6% (2019: 6%; 2018: 6%; 2017: 6%)
		The key inputs are: 1. Reversionary yield; and 2. Market unit rate	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, being RMB6,429/sq.m. (2019: RMB6,641 sq.m.; 2018: RMB6,575/sq.m.; 2017: RMB6,509/sq.m.)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Property 4	Level 3	Direct comparison method and income method	Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties of 6.5% (2019: 6.5%; 2018: 6.5%; 2017: 6.5%)
		The key inputs are: 1. Reversionary yield; and 2. Market unit rate	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, being RMB10,911/ sq.m. (2019: RMB10,942 sq.m.; 2018: RMB10,661/ sq.m.; 2017: RMB9,849/ sq.m.)

Increase in the reversionary yield would result in a decrease in the fair value of the investment properties. Increase in the unit accommodation value, the market unit rent or market unit rate would result in an increase in the fair value of the investment properties, and vice versa.

16. INTEREST IN AN ASSOCIATE

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment in an associate	517,850	517,850	50,000	50,000
Share of post-acquisition profits and other comprehensive income	65,744	66,915	119,282	132,672
	583,594	584,765	169,282	182,672

Details of the Consolidated Group's associate at the end of each reporting period are as follow:

Name of entity	Principal activities	Place of establishment and operation	Proportion of equity interest held by the Consolidated Group				Proportion of voting rights held by the Consolidated Group			
			As at 31 December			As at 30 April	As at 31 December			As at 30 April
			2017	**2018**	**2019**	**2020**	**2017**	**2018**	**2019**	**2020**
湖南綠地金融城置業有限公司	Real estate development	PRC	50%	50%	50%	50%	40%	40%	40%	40%

During 2019, registered capital of the associate has been reduced from RMB1,035,700,000 to RMB100,000,000, the Target Company received the refund of investment in the associate at RMB467,850,000, and reduced the investment in the associate to RMB50,000,000.

Summarised financial information of the associate

Summarised financial information in respect of the Consolidated Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	1,761,060	2,427,779	1,051,559	984,930
Non-current assets	10,681	31,776	9,615	9,481
Current liabilities	604,553	1,290,026	722,610	629,067

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) and total comprehensive income/(expense) for the year/period	45,044	2,341	104,735	(5,817)	26,781

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets of the associate	1,167,188	1,169,529	338,564	365,344
Proportion of the Consolidated Group's ownership interest in the associate	50%	50%	50%	50%
Carrying amount of the Consolidated Group's interest in the associate	583,594	584,765	169,282	182,672

17. INVENTORIES

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development — located in the PRC (a)	2,565,089	3,980,737	3,926,004	4,184,476
Properties held for sale — located in the PRC	926,284	723,893	1,109,554	453,542
	3,491,373	4,704,630	5,035,558	4,638,018
Reclassified to disposal group held for sale	—	—	(344,216)	—
Reclassified to disposal group held for distribution to owner	—	—	(549,054)	(639,046)
	3,491,373	4,704,630	4,142,288	3,998,972

(a) Properties under development

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold lands	1,737,176	2,749,230	2,986,735	2,935,977
Construction costs	827,913	1,231,507	939,269	1,248,499
	2,565,089	3,980,737	3,926,004	4,184,476

The carrying amount of leasehold lands is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2017, 2018 and 2019 and 30 April 2020.

18. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, net (a)	64,344	55,129	54,275	49,861
Prepayments (b)	248,736	297,073	325,300	300,027
Prepayment for land cost	—	437,400	—	—
Amounts due from immediate holding Company *(Note 29)*	1,353	—	41,504	14,083
Amounts due from fellow subsidiaries *(Note 29)*	16,891	15,671	78,723	6,484
Loan to an intermediate holding company *(Note 29)*	—	—	460,000	—
Amounts due from an intermediate holding company *(Note 29)*	300,000	180,416	583,694	839,494
Others	48,783	39,372	43,964	55,495
	680,107	1,025,061	1,587,460	1,265,444
Reclassified to disposal group held for sale	—	—	(10,621)	—
Reclassified to disposal group held for distribution to owner	—	—	(310,560)	(370,600)
	680,107	1,025,061	1,266,279	894,844

(a) Included the trade receivables from contracts with customers amounted to RMB14,410,000, RMB53,269,000, RMB40,544,000, RMB33,344,000 and RMB26,429,000 as at 1 January 2017, 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020 respectively.

The aging analysis of trade receivables based on date of properties delivered to purchasers or due date for rental receivables is as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	44,291	5,741	2,192	5,079
91 to 180 days	1,092	1,643	10,823	2,192
181 days to 1 year	2,184	3,734	3,716	9,044
1 year to 2 years	6,556	31,416	5,562	5,604
Over 2 years	50,418	54,182	79,352	75,312
	104,541	96,716	101,645	97,231
Less: Allowance for impairment	(40,197)	(41,587)	(47,370)	(47,370)
	64,344	55,129	54,275	49,861

(b) As at 31 December 2017, 2018 and 2019 and 30 April 2020, prepayments include prepaid taxes and other charges of approximately RMB197,048,000, RMB273,966,000, RMB307,658,000 and RMB279,303,000 respectively.

(c) As at 31 December 2017, included in the Consolidated Group's trade receivable balance are debtors with aggregate carrying amount of RMB64,344,000 which are past due as at the reporting date for which the Consolidated Group has not provided for impairment loss considering the sound financial position and historical payment records of the debtors.

Aging of trade receivables which are past due but not impaired:

	As at 31 December 2017
	RMB'000
0 to 90 days	44,291
91 to 180 days	1,092
181 days to 1 year	2,184
1 year to 2 years	6,181
Over 2 years	10,596
	64,344

(d) Movement in the allowance for doubtful debts of trade receivables:

	As at 31 December			**As at 30 April**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	42,857	40,197	41,587	47,370
Impairment losses recognised	375	2,373	5,795	—
Impairment losses reversed	(3,035)	(983)	(12)	—
At end of the year/period	40,197	41,587	47,370	47,370

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 and 2019 and 30 April 2020 are set out in Note 30.

19. CASH AND BANK DEPOSITS AND RESTRICTED BANK DEPOSITS

Bank deposits carry interest at the prevailing market rates which range from 0.35% to 1.15%, 0.35% to 1.495%, 0.35% to 1.495% and 0.35% to 1.495%, respectively, as at 31 December 2017, 2018 and 2019 and 30 April 2020.

The balances of restricted bank deposits at 31 December 2017, 2018 and 2019 and 30 April 2020 represent guarantee deposits for the benefit of mortgage loan facilities granted by banks to the purchasers of the Consolidated Group's properties.

Details of impairment assessment of bank deposit are set out in Note 30.

20. BORROWINGS

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Other borrowing, unsecured (a)	432,143	432,143	—	—
Bank borrowing, secured (c)	—	—	—	470,000
	432,143	432,143	—	470,000
Current				
Loans from immediate holding company, unsecured (b)	1,292,593	1,276,234	621,136	621,136
Other borrowing, unsecured (a)	—	—	432,143	—
Loan from a non-controlling shareholder of a subsidiary, unsecured (d)	—	—	529,480	349,480
	1,292,593	1,276,234	1,582,759	970,616
	1,724,736	1,708,377	1,582,759	1,440,616

(a) The Consolidated Group has been granted a 5-year loan facility of RMB500,000,000 from a trust company on 31 March 2015, guaranteed by China Minmetals. RMB432,143,000 of the loan has been drawn down in 2015 and was repaid in full in 2020. The borrowing carried interest at the fixed rate at 8.39% per annum.

(b) Loans from immediate holding company were unsecured and carried fixed interest rate at 5.8% per annum and are repayable on demand.

(c) The Consolidated Group has been granted a 3-year bank loan facility of RMB500,000,000 on 26 December 2019 secured by its properties under development and RMB470,000,000 of the loan was drawn down on 8 January 2020 carried interest at the variable rate determined based on 1-year Loan Prime Rate quoted by National Interbank Funding Center ("1-year LPR"). The effective interest rate of this borrowing was 4.94% at 30 April 2020.

(d) Loan from a non-controlling shareholder of a subsidiary was unsecured and carried fixed interest rate at 8% per annum and are repayable on demand.

21. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	275,779	146,831	107,219	38,199
Accrued construction costs	583,905	723,948	775,257	599,385
Other tax payables	154,906	219,561	120,653	110,442
Other payables	341,103	430,290	535,890	567,843
Amounts due to immediate holding company *(Note 29)*	9,678	107,136	2,240	15,191
Amounts due to fellow subsidiaries *(Note 29)*	105,579	112,546	111,235	10,352
Amounts due to an associate *(Note 29)*	107,850	317,880	16,000	16,000
Amount due to a non-controlling shareholder of a subsidiary *(Note 29)*	—	—	74,615	83,537
	1,578,800	2,058,192	1,743,109	1,440,949
Reclassified to disposal group held for sale	—	—	(282,474)	—
Reclassified to disposal group held for distribution to owner	—	—	(411,463)	(334,664)
	1,578,800	2,058,192	1,049,172	1,106,285

The following is an aged analysis of trade payable presented based on the invoice date. The analysis includes those classified as part of a disposal group held for sale and held for distribution to owner:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	190,861	103,063	79,751	18,707
91 to 180 days	3,637	10,673	10,070	6,226
181 days to 1 year	24,408	9,981	3,053	4,939
1 year to 2 years	6,368	775	7,245	1,118
Over 2 years	50,505	22,339	7,100	7,209
	275,779	146,831	107,219	38,199

22. CONTRACT LIABILITIES

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of properties	2,264,061	2,833,072	2,779,833	2,569,581
Reclassified to disposal group held for sale	—	—	(37,795)	—
Reclassified to disposal group held for distribution to owner	—	—	(518,051)	(690,212)
	2,264,061	2,833,072	2,223,987	1,879,369

As at 1 January 2017, contract liabilities amounted to RMB2,051,732,000.

The Consolidated Group receives the considerations in advance from sales of properties to customers. The advance receipts result in contract liabilities being recognised until the customer obtains control of the completed property.

For the contract liabilities as of 1 January 2017, 2018, 2019 and 2020, RMB1,489,941,000, RMB1,281,780,000, RMB1,734,115,000 and RMB524,201,000 of revenue recognised respectively relate to brought-forward contract liabilities during the years ended 31 December 2017, 2018 and 2019 and for the four months ended 30 April 2020, respectively.

23. DEFERRED INCOME

During the year ended 31 December 2019, the Consolidated Group received a government subsidy of RMB255.5 million towards the cost of construction of one of its investment properties. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of the relevant assets. As at 31 December 2019 and 30 April 2020, an amount of RMB255.5 million remains to be amortised.

24. DEFERRED TAX

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	81,328	99,616	142,331	126,907
Reclassified to disposal group held for sale	—	—	(23)	—
Reclassified to disposal group held for distribution to owner	—	—	(16,578)	(16,578)
	81,328	99,616	125,730	110,329

The movements in deferred tax assets during the Relevant Periods are as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses				
At beginning of the year/period	8,944	8,670	—	—
Recognised in the profit or loss	(274)	(8,670)	—	—
At end of the year/period	8,670	—	—	—
Temporary differences on accruals and contract liabilities				
At beginning of the year/period	75,469	72,658	99,616	125,730
Recognised in the profit or loss	(2,811)	26,958	42,715	(15,401)
Reclassified to disposal group held for sale	—	—	(23)	—
Reclassified to disposal group held for distribution to owner	—	—	(16,578)	—
At end of the year/period	72,658	99,616	125,730	110,329
Total	81,328	99,616	125,730	110,329

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable. Due to the unpredictability of future profit streams, as at 31 December 2017, 2018 and 2019 and 30 April 2020, the Consolidated Group had unrecognised tax losses of approximately RMB82,998,000, RMB103,421,000, RMB50,932,000 and RMB37,559,000 respectively, which will expire at various dates up to and including 2022, 2023, 2024 and 2025, respectively.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the Consolidated Group has deductible temporary differences of RMB nil, RMB5,204,000, RMB106,719,000 and RMB117,878,000, respectively, that have not been recognised as deferred tax assets as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

25. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	373,796	312,044	564,219	76,182	201,151
Interest income	(38,283)	(38,127)	(41,435)	(14,469)	(10,564)
Interest expense	38,621	41,009	36,257	11,923	10,146
Depreciation and amortisation	4,756	3,886	2,478	707	619
Fair value changes on investment properties	(15,001)	(25,806)	(10,472)	—	816
(Reversal of)/allowance for impairment of trade and other receivables	(7,127)	(15)	6,059	(79)	(6)
Write-down of inventories	1,260	8,030	—	—	—
Gain on disposal of a subsidiary	(67,452)	—	—	—	(34,974)
Share of results of an associate	(22,522)	(1,171)	(52,367)	2,909	(13,390)
Operating profit before working capital changes	268,048	299,850	504,739	77,173	153,798
Decrease/(increase) in inventories	1,301,865	(1,165,702)	(284,580)	(598,490)	82,902
Decrease/(increase) in prepayment, trade and other receivables	141,373	(453,904)	420,119	125,043	(4,352)
Decrease/(increase) in restricted bank deposits	928	(36,155)	(137,016)	31,659	(18,966)
(Decrease)/increase in trade and other payables	(731,110)	124,583	142,931	226,440	116,099
Increase/(decrease) in contract liabilities	212,329	569,011	(53,239)	(101,955)	(173,281)
Cash generated from/(used in) operations	1,193,433	(662,317)	592,954	(240,130)	156,200

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings	Other liabilities	Amount due to immediate holding company	Amount due to fellow subsidiaries	Amount due to an associate	Amount due a non-controlling shareholder of a subsidiary	Total
	Note 20		*Note 21*	*Note 21*	*Note 21*	*Note 21*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	2,674,736	27,857	48,384	6,077	113,300	—	2,870,354
Financing cash flows	(950,000)	—	(38,706)	99,502	(5,450)	—	(894,654)
At 31 December 2017	1,724,736	27,857	9,678	105,579	107,850	—	1,975,700
Financing cash flows	(16,359)	—	97,458	6,967	210,030	—	298,096
At 31 December 2018	1,708,377	27,857	107,136	112,546	317,880	—	2,273,796
Financing cash flows	(125,618)	—	(104,896)	(1,311)	(301,880)	74,615	(459,090)
At 31 December 2019	1,582,759	27,857	2,240	111,235	16,000	74,615	1,814,706
Financing cash flows	(142,143)	(27,857)	12,951	(100,883)	—	8,922	(249,010)
At 30 April 2020	1,440,616	—	15,191	10,352	16,000	83,537	1,565,696

26. DISPOSAL OF SUBSIDIARIES

(a) On 6 January 2017, the Consolidated Group disposed of its subsidiary, 西寧潤領房地產開發有限公司 (Xining Runling Property Development Co., Ltd.) ("Xining Runling") to an independent third party at a cash consideration of RMB72,060,000. The net assets of Xining Runling at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Inventories	183,108
Cash and bank deposits	138
Borrowings	(171,790)
Trade and other payables	(6,848)
Net assets disposed of	4,608
Gain on disposal of a subsidiary:	
Consideration received	72,060
Net assets disposed of	(4,608)
Gain on disposal	67,452
Net cash inflow arising on disposal	
Cash consideration	72,060
Less: cash and bank deposits disposed of	(138)
Net cash inflow	71,922

(b) On 20 March 2020, the Consolidated Group disposed of its subsidiary, Minmetals Land Laiwu, to an independent third party at a cash consideration of RMB30,000,189. The net liabilities of Minmetals Land Laiwu at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Inventories	343,484
Cash and bank deposits	21
Restricted bank deposits	14,389
Other assets	6,347
Trade and other payables	(332,244)
Contract liabilities	(36,971)
Net liabilities disposed of	(4,974)
Gain on disposal of a subsidiary:	
Consideration received	30,000
Net liabilities disposed of	4,974
Gain on disposal	34,974
Net cash inflow arising on disposal	
Cash consideration	30,000
Less: cash and bank deposits disposed of	(21)
Net cash inflow	29,979

27. FINANCIAL GUARANTEE

As at 31 December 2017, 2018 and 2019 and 30 April 2020, guarantees given to banks for mortgage facilities granted to certain purchasers of the Consolidated Group's properties amounted to RMB1,265,614,000, RMB1,792,214,000, RMB2,329,980,000 and RMB2,039,910,000 respectively. Such guarantees will terminate upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one year after the purchasers take the possession of the relevant properties; or (ii) the repayment of mortgage loans by the purchasers. The directors of the Target Company consider that the fair value of the financial guarantee contracts at initial recognition is not significant. Subsequently, in the opinion of the directors of the Target Company, no provision for the financial guarantee contracts is made, after taking into account the net realisable value of the related properties and the low default rate.

28. PENSION OBLIGATIONS

As stipulated by rules and regulations in the PRC, the Consolidated Group contributes to a state-sponsored retirement plan for its employees as determined by the local government. The Consolidated Group is required to contribute to the plan at a rate ranging from 7% to 12% of the basic salary of the employees in addition to contributions by employees at a rate ranging from 7% to 12% of the basic salary as specified by the local government, and the Consolidated Group has no further obligations for the actual payment of the pensions or post-retirement benefits beyond the annual contributions made.

29. RELATED PARTY TRANSACTIONS

The Consolidated Group itself is part of a larger group of companies under China Minmetals, which is controlled by the PRC government. Apart from the transactions with the parent company and its subsidiaries which have been disclosed in below (a), the Group also conducts businesses with entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities") in the ordinary course of business. The directors of the Target Company consider those entities other than the China Minmetals and its subsidiaries are independent third parties as far as the Consolidated Group's business transactions with them are concerned. In establishing its pricing strategies and approval process for transactions with other government related entities, the Consolidated Group does not differentiate whether the counter-party is a government-related entity or not. The Consolidated Group has entered into various transactions, including sales, purchases, borrowings and other operating expenses with other government-related entities during the Relevant Periods in which the directors of the Target Company are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the counterparties are government-related entities and it has provided, in the best of its knowledge, adequate and appropriate disclosure of related party transactions in the consolidated financial statements.

The Consolidated 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 Consolidated Group:

(a) Transactions with related parties

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Construction costs to fellow subsidiaries for real estate development projects *(note (i))*	942,147	656,213	610,108	156,106	232,819
Rental and management fee income from the immediate holding company and fellow subsidiaries *(note (ii))*	29,028	25,088	25,667	6,195	4,984
Loan interest expenses to the immediate holding company *(Note 20(b))*	90,734	60,338	46,348	19,385	12,209
Loan interest income from an intermediate holding company *(note (iii))*	36,257	36,257	36,257	12,086	10,132
Loan interest expenses to a non-controlling shareholder of a subsidiary *(Note 20(d))*	—	—	73,607	36,353	9,930
Interest income from a fellow subsidiary *(note (vi))*	591	590	2,453	259	361

(b) Balances with related parties

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payable to fellow subsidiaries for real estate development projects *(note (i))*	435,032	407,609	79,047	27,160
Rental and management fee receivable from the immediate holding company and fellow subsidiaries *(note (ii))*	13,481	14,578	23,330	24,759
Loan from the immediate holding company *(Note 20(b))*	1,292,593	1,276,234	621,136	621,136
Loan from a non-controlling shareholder of a subsidiary *(Note 20(d))*	—	—	529,480	349,480
Loan to an intermediate holding company *(note (iii))*	460,000	460,000	460,000	—
Amounts due from immediate holding company *(note (iv))*	1,353	—	41,504	14,083
Amounts due from fellow subsidiaries *(note (iv))*	16,891	15,671	78,723	6,484
Amounts due from an intermediate holding company *(note(iv))*	300,000	180,416	583,694	839,494
Amounts due to the immediate holding company *(note (v))*	9,678	107,136	2,240	15,191
Amounts due to fellow subsidiaries *(note (v))*	105,579	112,546	111,235	10,352
Amounts due to an associate *(note (v))*	107,850	317,880	16,000	16,000
Amounts due to a non-controlling shareholder of a subsidiary *(note (v))*	—	—	74,615	83,537
Current deposits placed in a fellow subsidiary *(note (vi))*	577,837	13,090	79,031	230,667

Notes:

(i) Construction costs to fellow subsidiaries for real estate development projects were based on terms mutually agreed by both parties.

(ii) Rental and management fee income received and receivable from the immediate holding company and fellow subsidiaries was based on the terms in the agreements entered into between the parties involved.

(iii) The loan to an intermediate holding company is unsecured, bearing interest at 8.39% per annum. The loan was repaid during the four months period ended 30 April 2020.

(iv) The amounts due from immediate holding company, fellow subsidiaries and an intermediate holding are unsecured, interest free and repayable on demand.

(v) The amounts due to immediate holding company, fellow subsidiaries, an associate and a non-controlling shareholder of a subsidiary are unsecured, interest free and repayable on demand.

(vi) The interest rate of the current deposits placed in a fellow subsidiary ranges from 1.15% to 1.495% per annum.

(c) Compensation of key management

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and short-term employee benefits	2,143	2,760	2,314	582	582
Pension costs — defined contribution plans	174	156	469	72	18
	2,317	2,916	2,783	654	600

30. FINANCIAL RISK FACTORS AND MANAGEMENT

(a) Financial risk factors

The Consolidated Group's major financial instruments include restricted bank deposits, cash and bank deposit, loan to an intermediate holding company, trade and other receivables, borrowings and trade and other payables. Derails of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. These risks are managed by the Consolidated Group's financial management policies and practices as described below to minimise potential adverse effects on the Consolidated Group's financial performance.

(i) Market risk

Interest rate risk

The Consolidated Group is exposed to fair value interest rate risk in relation to loan to an intermediate holding company and fixed-rate borrowings (see note 20 for details of these borrowings). The Consolidated Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 19 for details) and variable-rate bank borrowing (see Note 20 for details). The Consolidated Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and 1-year LPR arising from the Consolidated Group's variable-rate bank borrowing. The Consolidated Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. Sensitivity analysis are not made as the directors of the Target Company consider that the exposure of cash flow interest rate risk is insignificant.

(ii) Credit risk and impairment assessment

The Consolidated Group's credit risk primarily arises from deposits with banks, trade and other receivables, loan to an intermediate holding company and financial guarantees provided in respect of mortgage facilities (Note 27).

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

In respect of trade receivables, individual credit evaluations are performed. 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 Consolidated 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 Consolidated Group reviews the recoverable amount of each individual trade receivables at the end of the each reporting period to ensure adequate provision for impairment losses are made.

The credit risk on other receivables and loan to an intermediate holding company is limited because most of the counterparties are related parties with sound credit and historical payment record.

The Consolidated Group has concentration of credit risk on loan to an intermediate holding company and amounts due from an intermediate holding company, but the exposure is considered limited as the counterparty is at a good financial position and historical payment records.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management aims to maintain flexibility in funding by keeping credit lines available. Management monitors the rolling forecasts of the Consolidated Group's cash and bank balances (Note 19) on the basis of expected cash flow.

The table below analyses the Consolidated Group's financial liabilities at amortised cost into relevant maturity groupings at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including both principal and interest).

Financial liabilities	**Weighted average interest rate**	**On demand/ within 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total undiscounted cash flows**	**Total carrying amount**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017						
Borrowings	6.45%	1,403,820	36,257	468,400	1,908,477	1,724,736
Other liabilities		—	—	27,857	27,857	27,857
Trade and other payables		1,200,787	—	—	1,200,787	1,200,787
Amounts due to immediate holding company		9,678	—	—	9,678	9,678
Amounts due to fellow subsidiaries		105,579	—	—	105,579	105,579
Amounts due to an associate		107,850	—	—	107,850	107,850
Financial guarantee		1,265,614	—	—	1,265,614	—
		4,093,328	36,257	496,257	4,625,842	3,176,487

Financial liabilities	Weighted average interest rate	On demand/ within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018						
Borrowings	6.46%	1,386,513	468,400	—	1,854,913	1,708,377
Other liabilities		—	27,857	—	27,857	27,857
Trade and other payables		1,301,069	—	—	1,301,069	1,301,069
Amounts due to immediate holding company		107,136	—	—	107,136	107,136
Amounts due to fellow subsidiaries		112,546	—	—	112,546	112,546
Amounts due to an associate		317,880	—	—	317,880	317,880
Financial guarantee		1,792,214	—	—	1,792,214	—
		5,017,358	496,257	—	5,513,615	3,574,865

Financial liabilities	Weighted average interest rate	On demand/ within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted Cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019						
Borrowings	7.24%	1,697,400	—	—	1,697,400	1,582,759
Other liabilities		27,857	—	—	27,857	27,857
Trade and other payables		1,418,366	—	—	1,418,366	1,418,366
Amounts due to immediate holding company		2,240	—	—	2,240	2,240
Amounts due to fellow subsidiaries		111,235	—	—	111,235	111,235
Amounts due to an associate		16,000	—	—	16,000	16,000
Amounts due to a non-controlling shareholder of a subsidiary		74,615	—	—	74,615	74,615
Financial guarantee		2,329,980	—	—	2,329,980	—
		5,677,693	—	—	5,677,693	3,233,072

Financial liabilities	Weighted average interest rate	On demand/ within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted Cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 April 2020						
Borrowings	6.05%	1,057,818	23,218	493,218	1,574,254	1,440,616
Trade and other payables		1,205,427	—	—	1,205,427	1,205,427
Amounts due to immediate holding company		15,191	—	—	15,191	15,191
Amounts due to fellow subsidiaries		10,352	—	—	10,352	10,352
Amounts due to an associate		16,000	—	—	16,000	16,000
Amounts due to a non-controlling shareholder of a subsidiary		83,537	—	—	83,537	83,537
Financial guarantee		2,039,910	—	—	2,039,910	—
		4,428,235	23,218	493,218	4,944,671	2,771,123

(b) Capital risk management

The Consolidated Group's objectives when managing capital are to safeguard the Consolidated 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 and net debt of the Consolidated Group represents the capital structure of the Consolidated Group.

Consistent with others in the industry, the Consolidated 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 statement of financial position) less cash and bank deposits and restricted bank deposits.

The gearing ratios as at 31 December 2017, 2018 and 2019 and 30 April 2020 are as follows:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings	1,724,736	1,708,377	1,582,759	1,440,616
Less: Cash and bank deposits	854,191	325,634	152,526	300,141
Less: Restricted bank deposits	95,273	131,428	233,032	254,007
Net debt	775,272	1,251,315	1,197,201	886,468
Total equity	1,001,394	1,109,852	1,400,483	1,532,862
Gearing ratio	77%	113%	85%	58%

(c) Fair value measurements

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their respective fair values. The fair values are estimated using generally accepted pricing models based on discounted cash flows.

31. PARTICULARS OF SUBSIDIARIES

At the end of each reporting period and as at the date of this report, the particulars of Target Company's subsidiaries are as follows:

Name of subsidiary	Place and the date of establishment	Registered capital *RMB*	Equity interest attributable to the Target Company as at 31 December 2017	31 December 2018	31 December 2019	30 April 2020	the date of this report	Principal activities	*Notes*
Hunan Dongrun	The PRC	10,000,000	100%	100%	100%	100%	100%	Real estate development	
Minmetals Land Laiwu	The PRC	30,000,000	100%	100%	100%	N/A	N/A	Real estate development	(i)
五礦地產(西寧)開發有限公司	The PRC	40,816,300	49%	49%	49%	49%	49%	Real estate development	(ii)
五礦地產(泰安)開發有限公司	The PRC	10,000,000	100%	100%	100%	100%	100%	Real estate development	
泰安潤領房地產開發有限公司	The PRC	10,000,000	100%	100%	100%	100%	100%	Real estate development	
益陽嘉和日盛房地產開發有限公司	The PRC	10,000,000	100%	100%	100%	100%	100%	Real estate development	
五礦地產(湘潭)開發有限公司	The PRC	8,000,000	100%	100%	100%	100%	100%	Real estate development	
五礦物業服務(湖南)有限公司	The PRC	5,000,000	100%	100%	100%	100%	100%	Property management	(iii)
湖南礦夢置業開發有限公司	The PRC	400,000,000	N/A	100%	50%	50%	50%	Real estate development	(iv)

Notes:

(i) The subsidiary has been disposed during the four months period ended 30 April 2020. Details of the disposal have been set out in Note 26.

(ii) The Target Company holds 49% of equity interest of the subsidiary and could exercise 100% voting right over the subsidiary.

(iii) The subsidiary was formerly known as "湖南嘉盛物業服務有限公司" and changed to current name during 2018.

(iv) The subsidiary was established in 2018 and upon the capital injection received from a non-controlling shareholder in 2019, the equity interest attributable to the Target Company was reduced to 50%. The Target Company could exercise 60% voting right over the subsidiary.

None of the subsidiaries had issued any debt securities at each end of reporting period during the Relevant Periods.

Details of the non-wholly owned subsidiary that have material non-controlling interest

Name of subsidiary	Place of incorporation and principal place of business	Proportion of equity interest held by non-controlling interest		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31 December 2019	30 April 2020	Year ended 31 December 2019	Four months ended 30 April 2020	31 December 2019	30 April 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		
湖南礦夢置業開發有限公司	The PRC	50%	50%	(10,053)	(970)	189,947	188,977

	Year ended 31 December 2019	Four months ended 30 April 2020
	RMB'000	*RMB'000*
Current assets	1,780,903	2,008,715
Non-current assets	233	237
Current liabilities	(1,401,995)	(1,161,752)
Non-current liabilities	—	(470,000)
Expenses	20,105	1,941
Loss for the year/period	20,105	1,941
Net cash inflow/(outflow) from operating activities	(128,999)	(61,735)
Net cash inflow from financing activities	235,266	130,286
Net cash inflow	106,267	68,551

32. NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

(a) Prepayment, trade and other receivables

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, net	15,362	13,020	11,160	11,160
Prepayments	2,198	60	72	64
Amounts due from subsidiaries	1,462,725	2,895,444	1,591,600	1,286,474
Amounts due from an intermediate holding company	300,000	29,415	145,000	429,800
Amounts due from fellow subsidiaries	2,071	2,071	2,071	2,071
Others	8,683	906	1,176	1,349
	1,791,039	2,940,916	1,751,079	1,730,918

(b) Trade and other payables

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,009	1,003	984	984
Other tax payables	1,036	288	4,823	5,222
Other payables	5,193	26,435	25,406	3,538
Amounts due to subsidiaries	1,070,533	1,553,499	1,125,951	1,093,582
Amounts due to immediate holding company	242	99,901	—	6,004
Amounts due to fellow subsidiaries	605	605	635	1,076
Amounts due to an associate	107,850	317,880	16,000	16,000
	1,186,468	1,999,611	1,173,799	1,126,406

(c) Reserves

	Statutory Reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2017	119,848	240,128	359,976
Profit and total comprehensive income for the year	—	161,727	161,727
Provided for statutory reserve	16,173	(16,173)	—
Dividends	—	(94,369)	(94,369)
At 31 December 2017	136,021	291,313	427,334
Profit and total comprehensive income for the year	—	42,498	42,498
Provided for statutory reserve	4,250	(4,250)	—
Dividends	—	(75,248)	(75,248)
At 31 December 2018	140,271	254,313	394,584
Profit and total comprehensive income for the year	—	314,497	314,497
Provided for statutory reserve	9,729	(9,729)	—
Dividends	—	(259,702)	(259,702)
At 31 December 2019	150,000	299,379	449,379
Profit and total comprehensive income for the period	—	17,808	17,808
At 30 April 2020	150,000	317,187	467,187

33 SUBSEQUENT EVENTS

Saved as disclosed in the report, subsequent to the end of the Relevant Periods, the following significant event took place:

The unforeseen outbreak of the novel coronavirus epidemic early this year have some negative impact on overall economic and business operation. At the date of this report, the Consolidated Group experienced a decrease in its contracted sales. But the degree of the financial impact will affected by the various epidemic prevention and control policies, and the duration and the implementation of such control policies. The Consolidated Group will keep paying close attention on the development of the situation and its impact on the business and operating results of the Consolidated Group.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Consolidated Group, the Target Company or any of its subsidiary have been prepared in respect of any period subsequent to the end of the Relevant Periods.

The property interest of Tianjin Yijiahe comprises solely its interest in Neo-Metropolis, a mega scale residential estate development project undertaken by Tianjin Yijiahe located in Bei Chen District, Tianjin, PRC. Tianjin Yijiahe is still at an early stage of its development cycle, whereby approximately 89% of its total gross floor areas as at 30 April 2020 has not been completed and delivered to property buyers. For further details, please refer to the paragraph headed "Further Information on Tianjin Yijiahe" in this circular under the "Letter from the Board".

Set out below is the management discussion and analysis of Tianjin Yijiahe for each of the years ended 31 December 2017, 2018, 2019 and for the four months ended 30 April 2020 (the "**Relevant Periods**"). The following financial information is based on the accountants' report of Tianjin Yijiahe as set out in Appendix IIA to this circular.

REVENUE

Tianjin Yijiahe is principally engaged in property development and sale in the PRC, and only one single operation segment is present. The revenue of Tianjin Yijiahe comes solely from the sales of completed properties in Tianjin, the PRC, driven by the development cycle and delivery schedule of the properties.

Tianjin Yijiahe's revenue increased by RMB52.4 million from RMB1.0 million for the year ended 31 December 2017 to RMB53.4 million for the year ended 31 December 2018, representing an increase of 5,278.0%; and further increased by RMB25.6 million to RMB78.9 million for the year ended 31 December 2019, representing an increase of 47.9%. The overall increase was a result of increased area completed and delivered to buyers.

The majority of the properties of Tianjin Yijiahe was under construction in 2020 and therefore Tianjin Yijiahe recorded a 98.7% decrease in the revenue from RMB71.9 million for the four months ended 30 April 2019 to RMB1.0 million for the four months ended 30 April 2020.

GROSS PROFIT MARGIN

The gross profit margin for Tianjin Yijiahe was 24.1%, 4.2% and 29.3% for the years ended 31 December 2017, 2018 and 2019 respectively, and 22.6% and 58.9% for the four months ended 30 April 2019 and 2020 respectively. The movement mainly resulted from the change in product types that are completed and delivered to property buyers.

OTHER GAINS AND LOSSES

The other gains of Tianjin Yijiahe is RMB0.03 million and RMB0.16 million for the years ended 31 December 2017 and 2019, respectively. A loss of RMB2.8 million and RMB1.3 million was recorded for the year ended 31 December 2018 and for the four months ended 30 April 2020 respectively, which mainly represented government fines related to construction works. As at the Latest Practicable Date, the above government fines have been fully settled by Tianjin Yijiahe and the relevant issue is resolved.

SELLING AND MARKETING EXPENSES

The selling and marketing expense of Tianjin Yijiahe primarily include staff cost, advertising and promotion fee, sales office expense and commission expense. Tianjin Yijiahe's selling and marketing expenses increased by RMB19.4 million from RMB4.1 million for the year ended 31 December 2017 to RMB23.6 million for the year ended 31 December 2018, representing an increase of 470%. It further increased by RMB6.3 million to RMB29.9 million for the year ended 31 December 2019, representing an increase of 26.9%. The overall increase was mainly attributable to the launch of activities for pre-sale of properties during 2018 and 2019.

Tianjin Yijiahe's selling and marketing expenses increased by RMB2.8 million from RMB8.9 million for the four months ended 30 April 2019 to RMB11.7 million for the four months ended 30 April 2020, representing an increase of 32.1%. The increase in selling and marketing expenses was primarily due to the additional cost spent on launch of selling and marketing activities during the four months ended 30 April 2020 as compared to the four months ended 30 April 2019.

ADMINISTRATIVE AND OTHER EXPENSES

Tianjin Yijiahe's administrative and other expenses increased by RMB48.8 million from RMB11.4 million for the year ended 31 December 2017 to RMB60.2 million for the year ended 31 December 2018, representing an increase of 429.6%. The increase was mainly attributable to the write-down of inventories for free parking spaces and the increase in consultancy fee in 2018 due to the increase in contracted sales as the consultancy fee is related to contracted sales amount. Without write down on inventories for free parking spaces in 31 December 2019, the administrative and other expenses decreased by RMB20.8 million to RMB39.4 million for the year ended 31 December 2019, representing a decrease of 34.5%.

As affected by COVID-19, Tianjin Yijiahe's administrative and other expenses decreased by RMB4.1 million from RMB7.4 million for the four months ended 30 April 2019 to RMB3.2 million for the four months ended 30 April 2020, representing a decrease of 56.1% due to reduction in office expenses and tax and other surcharges that is in line with the decrease in revenue.

FINANCE INCOME

The finance income of Tianjin Yijiaha is related to interest income from bank. Tianjin Yijiahe recorded a finance income of approximately RMB1.7 million, RMB0.7 million and RMB2.0 million for the years ended 31 December 2017, 2018 and 2019, respectively. The finance income is RMB0.5 million and RMB0.8 million for the four months ended 30 April 2019 and 30 April 2020, respectively. The change was mainly attributable to the movement in the balance of bank deposit during the Relevant Periods.

FINANCE COSTS

The finance costs of Tianjin Yijiahe primarily include interest expense on borrowing from banks and trust companies. Finance cost of Tianjin Yijiahe charged to the profit or loss amounted to RMB455.9 million, RMB361.4 million and RMB133.7 million for each of the years ended 31 December 2017, 2018 and 2019, respectively. The finance costs was RMB50.8 million and RMB14.7 million for the four months ended 30 April 2019 and 30 April 2020, respectively. The decreasing trend was from the general decrease in borrowings and the increase in capitalisation of loan interest to inventory during the Relevant Periods due to continuing construction of the project.

INCOME TAX

The income tax expense mainly represents the PRC corporate income tax based on the assessable profit generated by Tianjin Yijiahe. The income tax expense was RMB0.2 million, RMB20.9 million, RMB12.4 million and RMB10.1 million for the years ended 31 December 2017, 2018 and 2019 and for the four months ended 30 April 2019 and 30 April 2020, respectively. Tax credit of RMB5.1 million was being recognised for the year ended 31 December 2018.

LOSS FOR THE YEAR

As a result of the discussion above, Tianjin Yijiahe recorded loss for the year of RMB469.6 million, RMB440.0 million and RMB198.6 million for the years ended 31 December 2017, 2018 and 2019, respectively. The loss for the period was RMB62.7 million and RMB39.6 million for the four months ended 30 April 2019 and 30 April 2020 respectively.

CHARGE ON ASSETS

As at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, Tianjin Yijiahe has charge on its asset amounted to nil, RMB2,319.4 million, RMB3,334.0 million and RMB3,334.0 million, respectively.

For details of charges on assets as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, please refer to Note 13 of the accountants' report of Tianjin Yijiahe as set out in Appendix IIA to this circular.

CONTRACT LIABILITIES

As at 31 December 2017, 2018, 2019 and 30 April 2020, the contract liabilities of Tianjin Yijiahe amounted to RMB44.0 million, RMB1,445.5 million, RMB5,151.3 million and RMB6,417.7 million, respectively, and the increase was due to increase in pre-sale activities over the years.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, 2018, 2019 and 30 April 2020, Tianjin Yijiahe had a net current asset of RMB5,610.1 million, RMB4,829.0 million, RMB4,461.3 million and RMB3,798.7 million, respectively. The current assets compromise of inventories, contract cost, prepayments and other receivables, restricted bank deposits and cash and bank deposits. The current liabilities compromise of short-term borrowings, trade and other payables, contract liabilities and taxation payable. The decrease in net current asset was due to the increase in contract liabilities over the years.

Cash and bank balances

The cash and bank balances of Tianjin Yijiahe as at 31 December 2017, 2018, 2019 and 30 April 2020 was RMB28.1 million, RMB84.4 million and RMB348.4 million and RMB332.3 million, respectively. Cash and bank balances are denominated in RMB.

Restricted bank deposits

The restricted bank deposits represent deposit received in respect of pre-sale of properties placed to specific bank accounts which are restricted for payments of constructions costs for the project. As at 31 December 2017, 2018, 2019 and 30 April 2020, the restricted bank deposit was nil, RMB429.5 million, RMB647.1 million and RMB764.7 million, respectively.

Borrowings

As at 31 December 2017, 2018, 2019 and 30 April 2020, the borrowings of Tianjin Yijiahe amounted to RMB9,499.0 million, RMB6,949.0 million, RMB7,023 million and RMB6,425 million, respectively, which were dominated in RMB with an effective interest rate ranging from 5.80% to 7.45%, 5.80% to 7.45%, 5.90% to 7.50% and 5.90% to 7.5% per annum, respectively. The borrowings fluctuate with the funding requirement of Tianjin Yijiahe over the Relevant Periods.

For details of the borrowings as at 31 December 2017, 2018, 2019 and as at 30 April 2020, please refer to Note 18 of the accountants' report of Tianjin Yijiahe as set out in Appendix IIA to this circular.

Gearing ratio

The net gearing ratio was not applicable to Tianjin Yijiahe as at 31 December 2017, 2018, 2019 and 30 April 2020 since it was at a net liabilities position.

Exposure to fluctuation in exchange rates

As all transactions of Tianjin Yijiahe were denominated in RMB, Tianjin Yijiahe is not exposed to the risk of foreign exchange fluctuation.

FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2017, 2018 and 2019 and 30 April 2020, guarantees given to banks for mortgage facilities granted to certain purchasers of the Tianjin Yijiahe's properties amounted to nil, RMB121.85 million, RMB63.30 million and RMB71.78 million, respectively. Tianjin Yijiahe's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks. The directors of Tianjin Yijiahe consider that the fair value of the financial guarantee contracts at initial recognition is not significant. Subsequently, in the opinion of the directors of Tianjin Yijiahe, no provision for the financial guarantee contracts is made, after taking into account the net realisable value of the related properties and the low default rate.

As at 31 December 2017, 2018, 2019 and 30 April 2020, Tianjin Yijiahe had no material contingent liabilities.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the Latest Practicable Date, Tianjin Yijiahe had no plans for material investments or capital assets.

FINANCIAL RISK MANAGEMENT

For the years ended 31 December 2017, 2018, 2019 and the four months ended 30 April 2020, Tianjin Yijiahe was mainly exposed to credit risk, market risk and liquidity risk. For details of the exposure to such risks and the relevant risk management policies and practices adapted by Tianjin Yijiahe, please refer to Note 26 of the accountants' report of the Tianjin Yijiahe as set out in Appendix IIA to this circular.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2017, 2018, 2019 and 30 April 2020, Tianjin Yijiahe had an average of 35, 57, 70 and 86 employees, respectively. Tinajin Yijiahe will continue to adopt a remuneration policy in line with local market practice and standards. The staff costs of Tianjin Yijiahe for the years ended 31 December 2017, 2018, 2019 and for the four months ended 30 April 2019 and 30 April 2020 were approximately RMB11.5 million, RMB19.9 million, RMB30.4 million, RMB9.8 million and RMB15.7 million, respectively, details of which are set out in Note 9 of the accountants' report of Tianjin Yijiahe as set out in Appendix IIA to this circular.

Minmetals Land Hunan Group has an interest in a property portfolio of 10 properties in various major cities in the PRC including Changsha, Xiang Tan, Tai'an and Xining, taking into account the disposal of Hunan Dongrun before completion of the Capital Injection. Certain properties are at a mature stage of the development cycle. For further details, please refer to the section headed "Further Information on Minmetals Land Hunan Group" in this circular under the "Letter from the Board".

Set out below is the management discussion and analysis of the business and results of operations of Minmetals Land Hunan for each of the years ended 31 December 2017, 31 December 2018, 31 December 2019 and four months ended 30 April 2020 (the "**Relevant Periods**").

On 30 September 2019, the directors of Minmetals Land Hunan resolved to distribute Hunan Dongrun and is expected to be disposed before the completion of the Capital Injection. On 20 December 2019, the directors of Minmetals Land Hunan resolved to sell its equity interests held in Minmetals Laiwu. Subsequently, Minmetals Laiwu was disposed on 20 March 2020. The Group will not be interested in these two companies upon completion of the Capital Injection.

For the statement of profit or loss and other comprehensive income, the relevant disclosure in regards to the segments to be acquired from Minmetals Land Hunan Group (excluding Minmetals Laiwu and Hunan Dongrun) for the Relevant Periods are presented under "Target Group" on Note 6 of the accountants' report of Minmetals Land Hunan Group as set out in Appendix IIB to this circular. On the same note, Minmetals Laiwu and Hunan Dongrun are presented as the Proposed Disposal Group. Accordingly for the statement of profit or loss and other comprehensive income, the relevant financial information of the segment to be acquired from Minmetals Land Hunan Group (excluding Minmetals Laiwu and Hunan Dongrun) (the "**Minmetals Land Hunan Target Group**") is extracted from the accountants' report of Minmetals Land Hunan Group as set out in Appendix IIB to this circular.

For statements of financial position, the relevant assets and liabilities of Minmetals Laiwu are classified as "Assets included in disposal group classified as held for sale" and "Liabilities associated with disposal group classified as held for sale", respectively, as at 31 December 2019 in the Consolidated Statement of Financial Position of the accountants' report of Minmetals Land Hunan Group as set out in Appendix IIB to this circular. The relevant assets and liabilities of Hunan Dongrun are classified as "Assets included in disposal group classified as held for distribution to owner" and "Liabilities associated with disposal group classified as held for distribution to owner", respectively, as at 31 December 2019 and 30 April 2020 in the Consolidated Statement of Financial Position of the accountants' report of Minmetals Land Hunan Group as set out in Appendix IIB to this circular.

Accordingly, set out below is the relevant financial information of the segment to be acquired from Minmetals Land Hunan Group extracted from the accountants' report of Minmetals Land Hunan Group as set out in Appendix IIB to this circular.

REVENUE

Minmetals Land Hunan Target Group is principally engaged in property development and property management in the PRC.

Minmetals Land Hunan Target Group's revenue decreased by RMB819.6 million from RMB1,620.6 million for the year ended 31 December 2017 to RMB801.0 million for the year ended 31 December 2018, representing a decrease of 50.6%. An increase of RMB474.7 million was recorded for the year ended 31 December 2019 to RMB1,275.7 million, representing an increase of 59.3%. Minmetals Land Hunan Target Group's revenue increased by RMB102.2 million from RMB465.7 million for the four months ended 30 April 2019 to RMB567.9 million for the four months ended 30 April 2020, representing an increase of 21.9%. The movement was primarily driven by the change in gross floor area of different properties that were completed and delivered to the property buyers according to the development cycle and delivery schedule of the property portfolio of Minmetals Land Hunan Target Group during the Relevant Periods.

GROSS PROFIT MARGIN

The gross profit margin for Minmetals Land Hunan Target Group was 22.3%, 20.7%, 34.4%, 22.8% and 30.4% for the years ended 31 December 2017, 2018, 2019 and for the four months ended 30 April 2019 and 2020, respectively. The movement was primarily due to change in the product mix of the properties being completed and delivered to the property buyers.

OTHER INCOME, OTHER GAINS AND LOSSES

Minmetals Land Hunan Target Group recorded other income, other gains and losses of RMB69.7 million for the year ended 31 December 2017 as a result of the one-off gain from disposal of a subsidiary to an independent third party. A loss of RMB1.8 million, a gain of RMB1.1 million, RMB0.6 million and RMB35.3 million was recorded for the year ended 31 December 2018, 2019 and for the four months ended 30 April 2019 and 2020, respectively. The significant increase of RMB34.7 million from 30 April 2019 to 30 April 2020 was due to the one-off gain from disposal of Minmetals Laiwu to an independent third party.

FAIR VALUE CHANGES ON INVESTMENT PROPERTIES

Investment properties are properties held to earn rental and/or for capital appreciation (including properties under construction for such purposes). The fair value changes on investment properties of Minmetals Land Hunan Target Group was attributable to the change in the valuation of the investment properties located in the PRC for the Relevant Periods.

SELLING AND MARKETING EXPENSES

The selling and marketing expense of Minmetals Land Hunan Target Group primarily include staff cost, advertising and promotion fee, sales office expense and commission expense. Minmetals Land Hunan Target Group's selling and marketing expenses decreased by RMB8.2 million from RMB34.6 million for the year ended 31 December 2017 to RMB26.4 million for the year ended 31 December 2018, representing a decrease of 23.7%. The decrease was mainly attributable to the reduction of selling expenses from a lower contracted sales during the year. The selling and marketing expense increase by RMB25.4 million from RMB26.4 million for the year ended 31 December 2018 to RMB51.8 million for the year ended 31 December 2019, representing an increase of 95.9%. The increase was primarily due to the increase in commission expenses.

Minmetals Land Hunan Target Group's selling and marketing expenses decreased by RMB3.1 million from RMB6.6 million for the four months ended 30 April 2019 to RMB3.5 million for the four months ended 30 April 2020, representing a decrease of 47.2%. The decrease was mainly attributable to the cancellation of some marketing activities as a result of COVID-19 for the four months ended 30 April 2020.

ADMINISTRATIVE AND OTHER EXPENSES

The administrative and other expenses of Minmetals Land Hunan Target Group primarily include staff cost, professional fees, office expense, other tax expenses and impairment expense. Minmetals Land Hunan Target Group's administrative and other expenses increased by RMB15.9 million from RMB62.0 million for the year ended 31 December 2017 to RMB77.8 million for the year ended 31 December 2018, representing an increase of 25.6%. The increase was mainly attributable to the increase in staff cost and write-down of inventories. The administrative and other expenses decreased by RMB7.6 million to RMB70.2 million for the year ended 31 December 2019, representing a decrease of 9.8%. The decrease was mainly attributable to the decrease in write down of inventories.

Minmetals Land Hunan Target Group's administrative and other expenses increased by RMB4.4 million from approximately RMB15.8 million for the four months ended 30 April 2019 to RMB20.1 million for the four months ended 30 April 2020, representing an increase of 27.6%. The increase was mainly attributable to recognition of other taxes and surcharges as a result of the increase in revenue.

FINANCE INCOME

The finance income of Minmetals Land Hunan Target Group is mainly related to interest income from loan to an intermediate holding company and bank deposits. Minmetals Land Hunan Target Group recorded a finance income of RMB81.4 million, RMB72.8 million, RMB58.9 million, RMB24.0 million and RMB14.7 million for the years ended 31 December 2017, 2018, 2019 and for the four months ended 30 April 2019 and 30 April 2020, respectively. The change was mainly attributable to the movement in the balance of bank deposits and loan to an intermediate holding company during the Relevant Periods.

FINANCE COST

The finance cost of Minmetals Land Hunan Target Group primarily includes interest expense on bank borrowings and other borrowings. The finance cost of Minmetals Land Hunan Target Group charged to the profit or loss amounted to RMB38.6 million, RMB41.0 million, RMB36.3 million, RMB11.9 million and RMB10.1 million for the years ended 31 December 2017, 2018, 2019 and for the four months ended 30 April 2019 and 30 April 2020, respectively. The change was mainly attributable to change in increase or decrease in the amount of borrowings during the Relevant Periods.

SHARE OF RESULT OF AN ASSOCIATE

The share of result of an associate of Minmetals Land Hunan Target Group is attributable to the share of result of Hunan Greenland Financial City Property Development Co., Ltd. ("**Hunan Greenland**") which is principally engaged in property development in the PRC. Minmetals Land Hunan Target Group recorded share of result of an associate with a gain of RMB22.5 million, RMB1.2 million, RMB52.4 million, loss of RMB2.9 million and gain of RMB13.4 million for the years ended 31 December 2017, 2018, 2019 and for the four months ended 30 April 2019 and 30 April 2020, respectively. The fluctuation was primarily due to the change in the sales progress of completed properties of Hunan Greenland of the corresponding periods.

INCOME TAX

The income tax expense mainly represents the PRC enterprise income tax and land appreciation tax of Minmetals Land Hunan Target Group. The income tax expense was RMB120.0 million, RMB38.1 million, RMB120.2 million, RMB29.7 million and RMB68.8 million for the years ended 31 December 2017, 2018, 2019 and for the four months ended 30 April 2019 and 30 April 2020, respectively.

PROFIT FOR THE YEAR

As a result of the discussion above, Minmetals Land Hunan Target Group recorded profit for the year of approximately RMB281.0 million, RMB54.0 million, RMB273.9 million, RMB64.2 million and RMB133.4 million for the years ended 31 December 2017, 2018, 2019 and for the four months ended 30 April 2019 and 30 April 2020, respectively.

DISPOSAL OF SUBSIDIARIES

On 6 January 2017, Minmetals Land Hunan disposed of its subsidiary, 西寧潤領房地產開發有限公司 (Xining Runling Property Development Co., Ltd.) ("**Xining Runling**") to an independent third party at a cash consideration of RMB72,060,000.

On 30 September 2019, the directors of Minmetals Land Hunan resolved to distribute Hunan Dongrun, a wholly-owned subsidiary which was engaged in real estate development and property investment operations in Changsha City, Hunan Province to its immediate holding company. On 20 December 2019, the directors of Minmetals Land Hunan resolved to sell its equity interests held in Minmetals Laiwu, a wholly-owned subsidiary which engaged in real estate development operation in Laiwu City, Shandong Province, to interested parties at a consideration not less than its net book value, and accordingly no impairment loss has been recognised. Minmetals Laiwu was disposed on 20 March 2020 to an independent third party at a cash consideration of RMB30.0 million and Hunan Dongrun is expected to be disposed of before completion of the Capital Injection.

For details of disposal of subsidiaries for the year ended 31 December 2017 and for the four months ended 30 April 2020, please refer to Note 26 of the accountants' report of Minmetals Land Hunan Group as set out in Appendix IIB to this circular.

INVESTMENT PROPERTIES

Investment properties are properties held to earn rental and/or for capital appreciation (including properties under construction for such purposes). As at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, the investment properties of Minmetals Land Hunan Group amounted to RMB387.6 million, RMB417.4 million, RMB81.9 million and RMB86.8 million, respectively. The investment properties has accounted for 5.8%, 5.4%, 1.0% and 1.2% of the total asset as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, respectively. The overall decrease in the investment properties was due to the reclassification of Hunan Dongrun which holds the majority of the total investment properties.

For details of the investment properties as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, please refer to Note 15 of the accountants' report of Minmetals Land Hunan as set out in Appendix IIB to this circular.

INVESTMENT IN AN ASSOCIATE

The investment in an associate relates to 50% equity interest in Hunan Greenland, which is principally engaged in property development in the PRC. As disclosed in the section headed "Further Information on Minmetals Land Hunan Group" in this circular under the "Letter from the Board", the properties under Hunan Greenland have completed construction, and are expected to be fully delivered to property buyers by 2021. As at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, the investment in an associate of Minmetals Land Hunan amounted to RMB583.6 million, RMB584.8 million, RMB169.3 million and RMB182.7 million, respectively. The investment in an associate has accounted for 8.8%, 7.5%, 2.1% and 2.5% of the total asset as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, respectively. The decrease in investment in an associate from 31 December 2018 to 31 December 2019 was due to reduction in registered capital of Hunan Greenland, which Minmetals Land Hunan has received the refund.

The paid-in capital of Hunan Greenland as at 30 April 2020 amounted to RMB100 million, of which RMB50 million was contributed by Minmetals Land Hunan. The investment was held for sharing of profit generated by Hunan Greenland. No dividend was distributed from Hunan Greenland during the Relevant Periods. For details of the investment in an associate as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, please refer to Note 16 of the accountants' report of Minmetals Land Hunan as set out in Appendix IIB to this circular.

CHARGE ON ASSETS

As at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, Minmetals Land Hunan Group has charge on its asset amounted to nil, nil, nil and RMB1,388.53 million, respectively.

For details of charges on assets as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, please refer to Note 20 of the accountants' report of Minmetals Land Hunan as set out in Appendix IIB to this circular.

CONTRACT LIABILITIES

As at 31 December 2017, 2018, 2019 and 30 April 2020, the contract liabilities of Minmetals Land Hunan Group amounted to RMB2,264.1 million, RMB2,833.1 million, RMB2,224.0 million and RMB1,879.4 million, respectively, the fluctuation was resulted from the pre-sale activities and properties delivered to property buyers over the years.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, Minmetals Land Hunan Group had a net current liabilities of RMB62.9 million, RMB0.3 million and a net current assets of RMB1,272.2 million and RMB1,872.2 million respectively. The current asset compromises of inventories, prepayments, trade and other receivables, restricted bank deposits, cash and bank deposits and the assets included in the disposal group classified as both held for sale and held for distribution. The current liabilities compromises of short-term borrowings, trade and other payables, contract liabilities, taxation payable, other liabilities and liabilities associated with disposal group classified as both held for sale and distribution to owner.

Cash and bank balances

The cash and bank balances of Minmetals Land Hunan Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020 was RMB854.2 million, RMB325.6 million, RMB152.5 million and RMB300.1 million, respectively. Cash and bank balances are denominated in RMB.

Restricted bank deposits

The restricted bank deposits represent guarantee deposits for the benefit of mortgage loan facilities granted by banks to the property purchasers of Minmetals Land Hunan Group. As at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, the restricted bank deposit is RMB95.3 million, RMB131.4 million, RMB233.0 million and RMB254.0 million, respectively.

Borrowings

The total borrowings of Minmetals Land Hunan Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020 was RMB1,724.7 million, RMB1,708.4 million, RMB1,582.8 and RMB1,440.6 million, respectively, which were dominated in RMB with an effective interest rate of 5.8% to 8.39%, 5.8% to 8.39%, 5.8% to 8.39% and 4.94% to 8%, respectively. The borrowings fluctuate with the funding requirement of Minmetals Land Hunan over the Relevant Periods.

For details of the borrowings as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, please refer to Note 20 of the accountants' report of Minmetals Land Hunan as set out in Appendix IIB to this circular.

Gearing ratio

The net gearing ratio (net debt to total equity) of Minmetals Land Hunan Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020 was 77%, 113%, 85% and 58%, respectively. The decreasing trend resulted from the decrease in borrowings and increase in restricted bank deposits and cash and bank deposits.

Exposure to fluctuation in exchange rates

As all transactions of Minmetals Land Hunan Group were denominated in RMB, Minmetals Land Hunan Group is not exposed to the risk of foreign exchange fluctuation.

FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, guarantees given to banks for mortgage facilities granted to certain purchasers of Minmetals Land Hunan Group's properties amounted to RMB1,265.6 million, RMB1,792.4 million, RMB2,330.0 million, and RMB2,039.9 million, respectively. Such guarantees will terminate upon the earlier of (i) the issuance of the property ownership certificates which will generally be available within one year after the purchasers take the possession of the relevant properties; or (ii) the repayment of mortgage loans by the purchasers. The directors of Minmetals Land Hunan consider that the fair value of the financial guarantee contracts at initial recognition is not significant. Subsequently, in the opinion of the directors of Minmetals Land Hunan, no provision for the financial guarantee contracts is made after taking into account the net realisable value of the related properties and the low default rate.

As at 31 December 2017, 2018, 2019 and 30 April 2020, Minmetals Land Hunan Group had no material contingent liabilities.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the Latest Practicable Date, Minmetals Land Hunan Group had no plans for material investments or capital assets.

FINANCIAL RISK MANAGEMENT

As at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, Minmetals Land Hunan Group was mainly exposed to credit risk, market risk and liquidity risk. For details of the exposure to such risks and the relevant risk management policies and practices adapted by Minmetals Land Hunan, please refer to Note 30 of the accountants' report of the Minmetals Land Hunan Group as set out in Appendix IIB to this circular.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020, Minmetals Land Hunan Group had an average of 408, 383, 373 and 361 employees, respectively. Minmetals Land Hunan Group will continue to adopt a remuneration policy in line with local market practice and standards. The staff costs of Minmetals Land Hunan Target Group charged to the profit or loss for the years ended 31 December 2017, 2018, 2019 and for the four months ended 30 April 2019 and 30 April 2020 were RMB38.2 million, RMB44.3 million, RMB41.7 million, RMB12.0 million and RMB10.1 million, respectively, details of which are set out in Note 7 and Note 9 of the accountants' report of Minmetals Land Hunan Group as set out in Appendix IIB to this circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

This unaudited pro forma consolidated statements of financial position (the "Unaudited Pro Forma Financial Information") has been prepared for the purpose of providing shareholders of the Company with information about the impact of the proposed Acquisition and Capital Injection by illustrating how the Acquisition and the Capital Injection might have affected the financial position of the Group as at 31 December 2019, had the Acquisition and the Capital Injection taken place on 31 December 2019.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Group, as enlarged by the Acquisition and the Capital Injection, that would have been attained had the Acquisition and the Capital Injection been completed on 31 December 2019. Neither does the Unaudited Pro Forma Financial Information purport to predict the future financial position of the Enlarged Group.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition and the Capital Injection.

The unaudited Pro Forma Financial Information has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2019, which has been extracted from the published annual report of the Group for the year ended 31 December 2019, and the audited statement of financial position of Tianjin Yijiahe and Minmetals Land Hunan Group as at 30 April 2020, which has been extracted from the accountants' report of Tianjin Yijiahe and Minmetals Land Hunan Group as set out in Appendix IIA and Appendix IIB to this circular, respectively, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 31 December 2019	The Consolidated Group as at 30 April 2020		Pro forma adjustments							Unaudited pro forma of the Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4a & Note 8)*	*(Note 4b)*	*(Note 4b & Note 4c)*	*(Note 5 & Note 8)*	*(Note 6)*	*(Note 7)*	
ASSETS											
Non-current assets											
Property, plant and equipment	262,791	6,263	6,878								269,669
Intangible assets	—	34	37								37
Investment properties	2,366,668	86,840	95,368								2,462,036
Interests in associates	1,123,361	182,672	200,610		138,894			1,676,893			3,139,758
Interests in joint ventures	84,701		—								84,701
Financial assets at fair value through other comprehensive income	1,398,952		—								1,398,952
Deferred tax assets	639,144	110,329	121,163								760,307
	5,875,617	**386,138**	**424,056**	**—**	**138,894**	**—**	**—**	**1,676,893**			**8,115,460**
Current assets											
Inventories	24,723,350	3,998,972	4,391,671		1,065,583						30,180,604
Prepayments, trade and other receivables	13,934,151	894,844	982,718			291,533	(291,533)				14,916,869
Contract assets	500,439		—								500,439
Contract costs	15,237		—								15,237
Other financial assets	19,771		—								19,771
Cash and bank deposits, restricted	42,702	254,007	278,950								321,652
Cash and bank deposits, unrestricted	3,850,098	300,141	329,615			1,166,130	(1,166,130)	(810,170)	(1,539)	(10,000)	3,358,004
	43,085,748	**5,447,964**	**5,982,954**	**—**	**1,065,583**	**1,457,663**	**(1,457,663)**	**(810,170)**	**(1,539)**	**(10,000)**	**49,312,576**
Assets classified as held for distribution		1,540,596	1,691,883	(1,691,883)							—
	43,085,748	**6,988,560**	**7,674,837**	**(1,691,883)**	**1,065,583**	**1,457,663**	**(1,457,663)**	**(810,170)**	**(1,539)**	**(10,000)**	**49,312,576**
Total assets	**48,961,365**	**7,374,698**	**8,098,893**	**(1,691,883)**	**1,204,477**	**1,457,663**	**(1,457,663)**	**866,723**	**(1,539)**	**(10,000)**	**57,428,036**
LIABILITIES											
Non-current liabilities											
Borrowings	9,491,281	470,000	516,154								10,007,435
Deferred tax liabilities	134,818		—		414,462						549,280
Lease liabilities	71,742		—								71,742
Deferred income		255,500	280,590								280,590
Other financial liabilities	25,713										25,713
Other payables								405,084			405,084
	9,723,554	**725,500**	**796,744**	**—**	**414,462**	**—**	**—**	**405,084**	**—**	**—**	**11,339,844**
Current liabilities											
Borrowings	7,262,623	970,616	1,065,930								8,328,553
Trade and other payables	10,906,885	1,106,285	1,214,922					405,085			12,526,892
Contract liabilities	4,553,520	1,879,369	2,063,923								6,617,443
Deferred revenue	4,064		—								4,064
Lease liabilities	16,598		—								16,598
Taxation payable	227,403	135,190	148,466								375,869
	22,971,093	**4,091,460**	**4,493,241**	**—**	**—**	**—**	**—**	**405,085**	**—**	**—**	**27,869,419**
Liabilities associated with disposal group classified as held for distribution		1,024,876	1,125,519	(1,125,519)							—
	22,971,093	**5,116,336**	**5,618,760**	**(1,125,519)**	**—**	**—**	**—**	**405,085**	**—**	**—**	**27,869,419**
Total liabilities	**32,694,647**	**5,841,836**	**6,415,504**	**(1,125,519)**	**414,462**	**—**	**—**	**810,169**	**—**	**—**	**39,209,263**
Total equity and liabilities	**48,961,365**	**7,374,698**	**8,098,893**	**(1,691,883)**	**1,204,477**	**1,457,663**	**(1,457,663)**	**866,723**	**(1,539)**	**(10,000)**	**57,428,036**

1. BASIS OF PREPARATION

This Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules and based upon: (i) the audited consolidated statement of financial position of the Group as at 31 December 2019, which has been extracted from the annual report of the Group for the year ended 31 December 2019, and (ii) the audited consolidated financial position of Minmetals Land Hunan Group as at 30 April 2020, which has been extracted from the accountants' report of Minmetals Land Hunan Group included in Appendix IIB to this circular; and adjusted in accordance with the pro forma adjustments described in note 2 below, as if the Acquisition and the Capital Injection had been completed on 31 December 2019.

The consolidated statement of financial position of Minmetals Land Hunan Group and other items denominated in Renminbi ("RMB") are translated into Hong Kong Dollars at the approximate exchange rate of RMB1 to HK$1.0982 for illustration purpose only and such transaction does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

This Unaudited Pro Forma Financial Information has been prepared in a manner consistent with both the format and accounting policies adopted by the Group in the audited financial statements for the year ended 31 December 2019.

2. NOTES TO THE PRO FORMA ADJUSTMENTS

Notes

(1) The balances are extracted from the consolidated statement of financial position of the Group as at 31 December 2019 as set out in the published annual report of the Group for the year ended 31 December 2019.

(2) The balances are extracted from the consolidated statement of financial position of Minmetals Land Hunan Group as at 30 April 2020 as set out in the accountants' report on the historical financial information of Minmetals Land Hunan Group, the Appendix IIB to this circular, and translated to Hong Kong Dollars using the exchange rate of RMB1.0000 = HK$1.0982.

(3) The adjustment reflects the distribution of Hunan Dongrun to 23rd Metallurgical before completion of the Capital Injection to satisfy one of the conditions precedent to the Capital Injection Agreement. For the purpose of the pro forma financial information of the Enlarged Group, it is assumed that the distribution had been completed on 31 December 2019.

(4) The Capital Injection is accounted for using the acquisition method in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "Business Combinations" as the directors of the Group believe that the acquired items constitute a business in accordance with HKFRS 3. The adjustments related to the acquisition of Minmetals Land Hunan Target Group are as followings:

(a) For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the pro forma fair values of the identifiable assets and liabilities of the Minmetals Land Hunan Target Group as at 31 December 2019 were assumed to be the same as their carrying amounts, except for the fair value adjustments of inventories, investment in an associate and deferred taxation, the details disclosed as followings:

(i) the increase in fair value of the inventories of RMB970.30 million (approximately HK$1,065.58 million);

	RMB'000	*HK$'000*
Audited net book value of inventories (as set out in Appendix IIB)	3,998,972	4,391,671
Total fair value of inventories *(Note)*	4,969,271	5,457,254
Fair value adjustment of inventories of Minmetals Land Hunan Target Group	**970,299**	**1,065,583**

Note

Fair value of all properties with full legal rights[1]	6,855,926	7,529,178
Less: Fair value of investment properties	(86,840)	(95,368)
Fair value of inventories with full legal rights	6,769,086	7,433,810
Add: Fair value of inventories with no full legal rights[2]	326,797	358,889
Less: Fair value of properties delivered[3]	(2,126,612)	(2,335,445)
Total fair value of inventories	4,969,271	5,457,254

1 This represents the aggregate market value of the properties, which obtained full legal rights, as shown under Property 2, 4, 5, 6, 7, 9, 10, 11, under "Summary of values" on pages V-6 and V-7 of the valuation report under Appendix V to this circular. These properties comprise inventories and investment properties.

2 This represents the fair value of the properties with no full legal rights but the rights to use and lease, shown as "investment value" under Property 2, 4, 5, 6, 7, 8, 9, 10, 11 in the valuation report. In regards to the legality of these properties, please refer to the valuation report under Appendix V to this circular.

3 This represents the value stated as "contracted to be sold — revenue recognised" set out in the valuation report under Appendix V. Certain properties are not included in the net book value of inventories in the accountants' report as set out in Appendix IIB as those properties have been delivered to the buyers, but those properties are included in the valuation report as set out in Appendix V as the legal rights have not transferred to the buyer.

(ii) the increase in fair value of the investment in an associate of RMB126.47 million (approximately HK$138.89 million); and

Hunan Greenland is an associate of Minmetals Land Hunan, which Minmetals Land Hunan owns 50% of equity interest. This is accounted under equity method and will not be consolidated in the consolidated statement of financial position of Minmetals Land Hunan Group.

	RMB'000	*HK$'000*
Unaudited net book value of inventories of the associate	885,890	972,884
Total fair value of the inventories of the associate *(Note)*	1,252,099	1,375,055
Fair value adjustment on the inventories of the associate	**366,209**	**402,171**
Deferred tax on the fair value adjustment on inventories of the associate	(113,261)	(124,383)
Total adjustment on the net asset value of the associate	**252,948**	**277,788**
Fair value and deferred tax adjustment on investment in an associate (on 50% basis)	**126,474**	**138,894**

Note

Fair value of inventories with full legal rights[1]	1,193,437	1,310,632
Add: Fair value of inventories with no full legal rights[2]	65,700	72,152
Less: Fair value of properties delivered[3]	(7,038)	(7,729)
Total fair value of inventories	1,252,099	1,375,055

1 This represents the market value of inventories under Property 3 with full legal rights as shown under "Summary of values" in page V-6 of the valuation report under Appendix V.

2 This represents the fair value of the properties with no full legal rights but the rights to use and lease, shown as "investment value" in the valuation report. In regards to the legality of these properties, please refer to the valuation report under Appendix V.

3 This represents the value stated as "contracted to be sold — revenue recognised" set out in the valuation report under Appendix V. Certain properties are not included in the net book value of inventories as those properties have been delivered to the buyers, but those properties are included in the valuation report as set out in Appendix V as the legal rights have not transferred to the buyer.

(iii) the deferred tax recognised related to the fair value adjustment of the inventories of RMB377.40 million (approximately HK$414.46 million).

(b) 80% of the capital injection of RMB1,061.86 million (approximately HK$1,166.13 million) to be paid on completion by the Group to Minmetals Land Hunan for acquisition of 51% of equity interests of Minmetals Land Hunan Target Group according to the Capital Injection Agreement; and the remaining 20% of RMB265.46 (approximately HK$291.53 million) shall be paid within 15 business days after satisfaction of the Second Installment Conditions. As

Minmetals Land Hunan will be accounted as a non-wholly owned subsidiary of the Group upon completion of the Capital Injection, the above amounts of capital injection will be eliminated in the Unaudited Pro Forma Financial Information of the Enlarged Group.

(c) the elimination of Minmetals Land Hunan Target Group and the recognition of the excess of the Group's acquired interest at fair value in Minmetals Land Hunan Target Group over cost amounting RMB159.31 million (approximately HK$174.96 million), are analysed as follows:

	RMB'000	*HK$'000*
Consideration	1,327,320	1,457,663
Less: Carrying amounts of the net assets of Minmetals Land Hunan Target Group as at 30 April 2020	828,165	909,491
Fair value adjustment on the investment in an associate	126,474	138,894
Fair value adjustment on the inventories	970,299	1,065,583
Deferred tax on the fair value adjustment on the inventories	(377,401)	(414,462)
Fair value adjustment on non-controlling interest *(Note)*	40,108	44,046
Adjusted amount of the net assets of Minmetals Land Hunan Target Group	1,587,645	1,743,552
Adjusted amount of the net assets of Minmetals Land Hunan Target Group after capital injection	2,914,965	3,201,215
51% of equity interests of Minmetals Land Hunan Target Group acquired by the Group	1,486,632	1,632,619
Excess of the Group's acquired interest at fair value over cost	159,312	174,956

Note:

Hunan Kuangmeng Property Development Co., Ltd is a non-wholly owned subsidiary of Minmetals Land Hunan, which Minmetals Land Hunan owns 50% of equity interest. This represents the portion of fair value adjustment of inventory of Hunan Kuangmeng Property Development Co., Ltd attributable to the non-controlling shareholder of Hunan Kuangmeng Property Development Co., Ltd.

	RMB'000	*HK$'000*
Unaudited net book value of inventories of a non-wholly owned subsidiary	1,670,216	1,834,231
Total fair value of the inventories of a non-wholly owned subsidiary (as set out in Appendix V)[1]	1,590,000	1,746,139
Fair value adjustment on net asset of a non-wholly owned subsidiary (on 100% basis)	**(80,216)**	**(88,092)**
Fair value adjustment attributable to non-controlling shareholder (on 50% basis)	**(40,108)**	**(44,046)**

1 This represents the market value of inventories under Property 2 with full legal rights as shown under "Summary of values" in page V-6 of the valuation report under Appendix V.

(5) The adjustment represents the acquisition of 49% equity interest of Tianjin Yijiahe at a consideration of RMB1,475.45 million (approximately HK$1,620.34 million) and the recognition of the excess of the Group's acquired interest at fair value in Tianjin Yijiahe over cost amounting RMB51.50 million (approximately HK$56.55 million), are analysed as follows:

	RMB'000	*HK$'000*
Consideration	1,475,450	1,620,339
Less: Carrying amounts of 49% of net assets of Tianjin Yijiahe	(502,639)	(551,998)
Fair value adjustment on the 49% inventories of Tianjin Yijiahe[(1)]	2,706,115	2,971,855
Deferred tax on the fair value adjustment on the inventories	(676,529)	(742,964)
Adjusted amount of the net assets of Tianjin Yijiahe	1,526,947	1,676,893
Excess of the Group's acquired interest at fair value over cost	51,497	56,554

(1)

	RMB'000	*HK$'000*
Audited net book value of inventories (as set out in Appendix IIA)	8,411,158	9,237,134
Total fair value of inventories *(Note)*	13,933,841	15,302,144
Fair value adjustment of the inventories (on 100% basis)	**5,522,683**	**6,065,010**
Fair value adjustment of the inventories (on 49% basis)	**2,706,115**	**2,971,855**
Note		
Fair value of inventories with full legal rights[1]	11,000,000	12,080,200
Add: Fair value of inventories with no full legal rights[2]	2,933,841	3,221,944
Total fair value of inventories	13,933,841	15,302,144

1 This represents the market value of inventories under Property 1 with full legal rights as shown under "Summary of values" in page V-6 of the valuation report under Appendix V.

2 This represents the fair value of certain parcel of lands as described in Property 1.(c) and certain properties with no full legal rights, but with the right to use and lease as described in Property 1.(a), shown as "investment value" in the valuation report. In regards to the legality of Property 1.(a) and 1.(c), please refer to the valuation report under Appendix V.

According to the Equity Transfer Agreement, the consideration of Tianjin Yijiahe will be settled by three installments as stated in the paragraph headed "Equity Transfer Agreement — Consideration" in this circular under the "Letter from the Board". The first installment of approximately RMB737.73 million (equivalent to HK$810.17 million) will be settled on completion.

(6) The adjustment represents 0.05% stamp duty on the contract amount of the Equity Transfer Agreement and the Capital Injection Agreement.

(7) The adjustment represents the legal and professional fee related to the Transactions.

(8) The pro forma fair values of the identifiable assets and liabilities of Minmetals Land Hunan Target Group and Tianjin Yijiahe in relation to the Capital Injection and the Acquisition are subject to change upon the completion of purchase price allocation at the completion date, which may be substantially different from their estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Minmetals Land Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Minmetals Land Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2019 and related notes as set out on pages IV-2 to IV-8 of the circular issued by the Company dated 21 July 2020 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page IV-3 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of 49% equity interests in Tianjin Yijiahe Real Estate Company Limited and capital injection in Minmetals Land Hunan Property Development Ltd. on the Group's financial position as at 31 December 2019 as if the transaction had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2019, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled 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 paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 21 July 2020

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this prospectus received from **Vigers Appraisal and Consulting Limited**, an independent professional valuer, in connection with the valuation(s) of the property(ies) held by the Target Group as at 30th April 2020.

Vigers Appraisal and Consulting Limited
General Practice Sector

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Minmetals Land Limited
18th Floor, China Minmetals Tower,
No. 79 Chatham Road South,
Tsim Sha Tsui, Kowloon,
Hong Kong

Attn.: The Board of Directors

Date of Report: 21st July 2020

Dear Sir,

RE: THE UNENCUMBERED PROPERTY INTEREST(S) OF VARIOUS PROPERTIES LOCATED IN THE "PEOPLE'S REPUBLIC OF CHINA") (INDIVIDUALLY REFERRED TO AS "THE PROPERTY" AND COLLECTIVELY REFERRED TO AS "THE PROPERTIES")

We refer to the recent instruction from "**Minmetals Land Limited**" (referred to as the "Company") to us to value the property interest(s) of the property(ies) held by "Tianjin Yijiahe Real Estate Company Limited" ("Tianjin Yijiahe") and "Minmetals Land Hunan Development Co., Ltd." ("Minmetals Land Hunan") and/or its subsidiary(ies) or associate(s) ("Minmetals Land Hunan Group") (collectively referred to as the "Target Group"), we confirm that we have inspected the property(ies), made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of value(s) of the property(ies) as at **30th April 2020** (the "Date of Valuation").

Basis of Value

In respect of the property(ies) with full legal rights, our valuation(s) is/are our opinion of market value(s) of the property(ies) which is defined as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". In respect of the property(ies) of which relevant "Real Estate Title Certificate" is planned to be applied (i.e. the Commercial House of Property No. 1.(a)) or do(es) not have full legal rights but the rights to use and lease (i.e. car parking spaces and storages), our valuation(s) is/are our opinion of investment value(s) *(Note: Non-market value)* of the property(ies) which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives". Our valuation(s) has/have been prepared in accordance with "The HKIS Valuation Standards (2017 Edition)" published by "The Hong Kong Institute of Surveyors" ("HKIS"), "RICS Valuation — Global Standards" published by the "Royal Institution of Chartered Surveyors" ("RICS"), relevant provisions in the Companies Ordinance and the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" (Main Board) published by "The Stock Exchange of Hong Kong Limited" ("HKEx"). Market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement(s), special consideration or concession granted by anyone associated with the sale, or any element of special value(s). The market value of a property is also estimated without regard to cost(s) of sale and purchase, and without offset for any associated tax(es).

Approach to Value

In our valuation(s), we have adopted market approach which provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. We have applied comparison method of valuation whereby comparisons based on actual sales transactions and/or offering of comparable properties have been made. Comparable properties with similar character, location and so on are analysed and carefully weighed against all respective advantages and disadvantages of the property(ies) in order to arrive at the fair comparison of value(s).

Title Investigation

The property(ies) is/are located in the PRC, and we have been given extracted copy(ies) of relevant title document(s) for the property(ies) but we have not checked the title(s) to the property(ies) nor scrutinized the original title document(s). We have relied on the advice given by the Company, the Target Group and the legal adviser to the Company on the laws of the PRC, "**Jia Yuan Law Offices**" (hereinafter referred to as the "PRC Legal Adviser") regarding title(s) to and ownership of the property(ies). For the purpose of our valuation(s), we have taken the legal opinion prepared by the PRC Legal Adviser into account, in particular title(s), ownership, encumbrances and so on of the property(ies). While we have exercised our professional judgement in arriving at our valuation(s), you are urged to consider our valuation assumption(s) with caution.

Valuation Consideration

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Company and the Target Group, particularly planning approval(s) or statutory notice(s), easement(s), land-use rights' term(s), site and floor areas, development option(s), development costs' expended and to be expended, presale and sales status, occupancy status as well as in the identification of the property(ies). We have had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Group and the PRC Legal Adviser, and we have been advised that no material fact has been omitted from the information provided. We have not carried out detailed on-site measurement to verify the correctness of the site and floor areas of the property(ies) but we have assumed that the site and floor areas shown on the document(s) handed to us are accurate and reliable. All dimension(s), measurement(s) and area(s) included in our valuation report are based on the information contained in the document(s) provided to us and are therefore approximations.

We had carried out on-site inspection(s) to the property(ies) and surrounding environment, but not in any form of a building survey, from late August 2019 to early September 2019 as well as in early January 2020. But we must stress that we have not carried out any structural survey nor have we inspected the woodwork or other part(s) of the structure(s) of the property(ies) which were covered, unexposed or inaccessible to us. We are therefore unable to report whether such part(s) of the property(ies) is/are free from any structural or non-structural defect.

Valuation Assumption

Our valuation(s) has/have been made on the assumption that the property(ies) could be sold in the prevailing market in existing state assuming sale with vacant possession and without the effect of any deferred term contract(s), leaseback(s), joint venture(s) or any other similar arrangement(s) which may serve to affect the value(s) of the property(ies) unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the property(ies). No consideration has been made for the property(ies) being sold in bulk or as a portfolio or portfolio(s).

In our valuation(s), we have assumed that the owner(s) of the property(ies) has/have free and uninterrupted rights to use and assign the property(ies) during the unexpired land-use rights' term(s) granted subject to payment of usual land-use fee(s). Our valuation(s) for the property(ies) is/are carried out on the basis of a cash purchase, and no allowance has been made for interest(s) and/or funding cost(s) in relation to the sale or purchase of the property(ies).

We had carried out on-site inspection(s) to the property(ies) but no soil investigation has been carried out to determine the suitability of ground condition or building services for any property development erected or to be erected on the property(ies). Our valuation(s) has/have been carried out on the assumption that these aspects are satisfactory.

Our value assessment(s) of the property(ies) is/are the value estimated without regard to cost(s) of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the property(ies) has/have been disregarded. In our valuation(s), we have assumed that the property(ies) is/are free from encumbrances, restriction(s) and outgoing(s) of an onerous nature which may serve to affect the value(s) of the property(ies).

Remarks

The outbreak of the "Novel Coronavirus" ("COVID-19"), declared by the "World Health Organisation" as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the Date of Valuation, we consider that we can attach less weight to previous market evidence for comparison purpose, to inform opinion of value(s). Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is/are therefore reported on the basis of "material uncertainty" in accordance with "VPS3 Valuation Reports" and "VPGA10 Matters that may give Rise to Material Valuation Uncertainty" of "RICS Valuation — Global Standards" published by the RICS as well as "VS9 Reporting" of "The HKIS Valuation Standards (2017 Edition)" published by the HKIS. Consequently, less certainty — and a higher degree of caution — should be attached to our valuation(s) than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation(s) of the property(ies) under frequent review.

As confirmed by the Target Group,

(1) the use(s) of the property(ies) do(es) not constitute any breach of environmental regulation(s), unless otherwise stated; and

(2) there is no plan to change the use(s) of the property(ies).

(3) the property(ies) will be recorded as an inventory in the consolidated balance sheet of the Company.

We hereby confirm that:

(1) we have no present or prospective interest in the property(ies); and are not a related corporation of nor having a relationship with the Company or other party/parties who the Company is contracting with;

(2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of properties;

(3) our valuation(s) has/have been prepared on a fair and unbiased basis;

(4) the valuer's compensation is not contingent upon reporting of a predetermined value or direction in value(s) that favours the cause of the vendor(s) or purchaser(s), the amount(s) of the value estimate, the attainment of a stipulated result, or occurrence of subsequent event(s); and

(5) we are independent of the Company and the Target Group.

Unless otherwise stated, all monetary amounts stated herein are denoted in "Renminbi" ("RMB"), the lawful currency of the PRC.

We enclose herewith the Summary of Values and core content of our valuation report(s).

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED

Sr Franky C. H. WONG
MSc(RealEst) MCIM FRICS MHKIS RPS(GP)
China Registered Real Estate Appraiser
RICS Registered Valuer
Director

Note: Graduated from The University of Hong Kong with a Master of Science in Real Estate, **Sr Franky C. H. WONG** is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong, and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 19 years' valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Taiwan, Japan, Cambodia, Malaysia, United Kingdom and United State of America. **Sr WONG** has been vetted on the "List of Property Valuers for Undertaking Valuations for Incorporation of Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers" published by the HKIS and "List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers" published by RICS Hong Kong, and is suitably qualified for undertaking valuations relating to listing exercises. **Sr WONG** has been employed by "**Vigers Appraisal and Consulting Limited**" as a valuer since 2006 and as a qualified surveyor since 2009.

SUMMARY OF VALUES

No.	Property	Market Value in Existing State as at the Date of Valuation	Interest attributable to Tianjin Yijiahe/ Minmetals Land Hunan	Capital Value attributable to Tianjin Yijiahe/ Minmetals Land Hunan
1.	(a) Commercial House, Ancillary Restaurant, Ancillary Post Office and Unsold Portion(s), "Neo-Metropolis", Bei Chen District, Tianjin, the PRC	NO COMMERCIAL VALUE	100%	NO COMMERCIAL VALUE
	(b) Construction in Progress at Site 8A, Site 8B, Site 4C, Site 4A, Site 7B and Site 7A, "Neo-Metropolis", Bei Chen District, Tianjin, the PRC	RMB11,000,000,000	100%	RMB11,000,000,000
	(c) Future Development, Neo-Metropolis, Bei Chen District, Tianjin, the PRC	NO COMMERCIAL VALUE	100%	NO COMMERCIAL VALUE
2.	Construction in Progress, "Realm of Landscape", Kai Fu District, Changsha, Hunan Province, the PRC	RMB1,590,000,000	50%	RMB795,000,000
3.	Various Unsold Portion(s) and Contracted to be Sold Portion(s), "Changsha Greenland Center", Kai Fu District, Changsha, Hunan Province, the PRC	RMB1,193,436,845	50%	RMB596,718,423
4.	Various Unsold Portion(s) and Contracted to be Sold Portion(s), "Minmetals Chai Da Mu Plaza", Wu Si Road West, Hai Hu New District, Xining, Qinghai Province, the PRC	RMB1,396,490,925	100%	RMB1,396,490,925
5.	(a) Various Unsold Portion(s) and Contracted to be Sold Portion(s), "Taian Scenery Cove", Zhangchen Road, Gaoxin District, Tai'an, Shandong Province, the PRC	RMB1,088,130,395	100%	RMB1,088,130,395
	(b) Construction in Progress at Site A13, "Taian Scenery Cove", Zhangchen Road, Gaoxin District, Tai'an, Shandong Province, the PRC	RMB1,232,000,000	100%	RMB1,232,000,000
6.	(a) Various Unsold Portion(s), "Taian Scenery Centre", Zhangchen Road, Gaoxin District, Tai'an, Shandong Province, the PRC	RMB15,000,000	100%	RMB15,000,000
	(b) Construction in Progress at Site A13, "Taian Scenery Centre", Zhangchen Road, Gaoxin District, Tai'an, Shandong Province, the PRC	RMB133,000,000	100%	RMB133,000,000

No.	Property	Market Value in Existing State as at the Date of Valuation	Interest attributable to Tianjin Yijiahe/ Minmetals Land Hunan	Capital Value attributable to Tianjin Yijiahe/ Minmetals Land Hunan
7.	(a) Various Unsold Portion(s) and Contracted to be Sold Portion(s), "Xiangtan Scenery Cove", Xiang Tan, Hunan Province, the PRC	RMB87,455,322	100%	RMB87,455,322
	(b) Construction in Progress, "Xiangtan Scenery Cove", Xiang Tan, Hunan Province, the PRC	RMB1,025,000,000	100%	RMB1,025,000,000
	(c) Future Development, "Xiangtan Scenery Cove", Xiang Tan, Hunan Province, the PRC	RMB241,000,000	100%	RMB241,000,000
8.	An aggregate of 193 Unsold Car Parking Spaces, "Jiasheng International Square", Tian Xin District, Changsha, Hunan Province, the PRC	NO COMMERCIAL VALUE	100%	NO COMMERCIAL VALUE
9.	Various Unsold Portion(s) and Contracted to be Sold Portion(s), "Minmetals Zuncheng Project", Xiang Tan, Hunan Province, the PRC	RMB14,008,590	100%	RMB14,008,590
10.	Unsold Car Parking Space(s), Unsold Commercial Portion(s) and Transition Floor, "Jiasheng Aomei City", Tian Xin District, Changsha, Hunan Province, the PRC	RMB31,100,000	100%	RMB31,100,000
11.	An aggregate of 112 Unsold Car Parking Spaces and Unsold Kindergarten, "Jiasheng Huating" Phase II and III, Yu Hua District, Changsha, Hunan Province, the PRC	RMB2,740,000	100%	RMB2,740,000

IMPORTANT NOTES

(1) Property No. 1.(a)

We have been advised by Tianjin Yijiahe that

(1) the Commercial House of which relevant Real Estate Title Certificate is planned to be applied by the end of 2021 and there is no expected timeline to obtain;

(2) the Ancillary Restaurant and the Ancillary Post Office are to be surrendered to the Owner's Committee upon completion; and

(3) the 720 car parking spaces on basement have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC.

For reference purpose, we have been requested by the Company to assess the capital value(s) of this portion of the property as at the Date of Valuation by

(1) assuming that a valid Real Estate Title Certificate has been issued for the Commercial House; and

(2) assuming that the car parking space(s) could be disposed of with its/their rights to use and lease.

Portion	Gross Floor Area/Number of Car parking Space	Capital Value as at the Date of Valuation	Remarks
Commercial House*	2,952.55 square metres	RMB53,100,000	Investment Value
Ancillary Restaurant#	678.64 square metres	Nil	No Commercial Value
Ancillary Post Office#	233.91 square metres	Nil	No Commercial Value
Exhaust Shaft in Block 1#	4.74 square metres	Nil	No Commercial Value
Pump Room in Block 2#	59.41 square metres	Nil	No Commercial Value
Exhaust Shaft in Block 3#	2.54 square metres	Nil	No Commercial Value
Exhaust Shaft in Block 4#	3.54 square metres	Nil	No Commercial Value
Ventilation Shaft in Block 7#	5.81 square metres	Nil	No Commercial Value
Ventilation Shaft in Block 8#	4.93 square metres	Nil	No Commercial Value
Unsold Car Parking Space*	720 car parking spaces	RMB50,400,000	Investment Value
Total	3,946.07 square metres and 720 car parking spaces	RMB103,500,000	Nil

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

\# *Since the Ancillary Restaurant and the Ancillary Post Office of this portion of the property are to be surrendered to Owners' Committee without consideration while the remainder are regarded as Ancillary Facilities, we have ascribed no commercial value thereto accordingly.*

(2) Property No. 1.(c)

Since no valid "State-owned Land-use Certificate" was issued for Property No. 1.(c) as of the Date of Valuation, we have ascribed no commercial value to Property No. 1.(c). Had a valid "State-owned Land-use Certificate" been issued for Property No. 1.(c) as at the Date of Valuation, we are of the opinion that the market value of the Property No. 1.(c) is RMB11,861,848,164 (RENMINBI ELEVEN BILLION EIGHT HUNDRED SIXTY ONE MILLION EIGHT HUNDRED FORTY EIGHT THOUSAND ONE HUNDRED SIXTY FOUR ONLY) assuming that all land-use rights grant premium was fully settled and the property could freely be transferred, leased out, mortgaged or by other legal means disposed of in the prevailing market without paying additional land-use rights grant premium.

(3) Property No. 1(c).

As advised by Tianjin Yijiahe, the total compensation for removal and resettlement of the property as of the Date of Valuation was RMB14,900,000,000 of which RMB5,868,492,892 was incurred. After taking into account of the aforesaid compensation, the capital value of Property No. 1.(c) would become RMB2,830,341,056 (RENMINBI TWO BILLION EIGHT HUNDRED THIRTY MILLION THREE HUNDRED FORTY ONE THOUSAND FIFTY SIX ONLY) assuming that a valid "State-owned Land-use Certificate" has been issued as at the Date of Valuation.

(4) Property No. 3.

The market value of the property shown above is comprised of the assessment(s) from the unsold portion(s) with full legal rights and the contracted amount of the contracted to be sold portion(s) with full legal rights as follows.

Portion	Gross Floor Area	Market Value/Amount	Remarks
Unsold Portion	39,096.35 square metres	RMB682,000,000	Market Value
Contracted to be Sold — Revenue not yet Recognized	29,904.24 square metres	RMB504,398,495	Contracted Amount
Contracted to be Sold — Revenue Recognized	105.05 square metres	RMB7,038,350	Contracted Amount
Total	69,105.64 square metres	RMB1,193,436,845	

(5) Property No. 3.

We have been advised by Minmetals Land Hunan Group that the property also accommodates car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 605 car parking spaces on basement were left vacant for sale with its/their rights to use and lease; while an aggregate of 40 car parking spaces on basement were contracted to be sold — revenue not yet recognized with its/their rights to use and lease as at the Date of Valuation. For reference purpose, we have been requested by the Company to assess the capital value(s) of the aforesaid car parking spaces on basement of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value/ Amount	Remarks
Unsold Portion*	605 car parking spaces	RMB60,500,000	Investment Value
Contracted to be Sold — Revenue not yet Recognized	40 car parking spaces	RMB5,200,000	Contracted Amount
Total	645 car parking spaces	RMB65,700,000	

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

(6) Property No. 4.

The market value of the property shown above is the contracted amount of the contracted to be sold portion(s) with full legal rights as follows.

Portion	Gross Floor Area	Market Value/Amount	Remarks
Unsold Portion	Nil	Nil	Nil
Contracted to be Sold — Revenue not yet Recognized	50,442.61 square metres	RMB432,757,973	Contracted Amount
Contracted to be Sold — Revenue Recognized	113,055.13 square metres	RMB963,732,952	Contracted Amount
Total	163,497.74 square metres	RMB1,396,490,925	

(7) Property No. 4.

We have been advised by Minmetals Land Hunan Group that the property accommodates car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 353 car parking spaces on basement of the property were left vacant for sale with its/their rights to use and lease; while an aggregate of 281 car parking spaces on basement were contracted to be sold — revenue not yet recognized with its/their rights to use and lease as at the Date of Valuation. For reference purpose, we have been requested by the Company to assess and report the capital value(s) and contracted amount(s) of the aforesaid car parking spaces on basement of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value/Amount	Remarks
Unsold Portion*	353 car parking spaces	RMB49,400,000	Investment Value
Contracted to be Sold — Revenue not yet Recognized	281 car parking spaces	RMB45,037,548	Contracted Amount
Total	634 car parking spaces	RMB94,437,548	

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

(8) Property No. 5.(a)

The market value of this portion of the property shown above is comprised of the assessment(s) from the unsold portion(s) with full legal rights and the contracted amount of the contracted to be sold portion(s) with full legal rights as follows.

Portion	Gross Floor Area	Market Value/Amount	Remarks
Unsold Portion	1,704.50 square metres	RMB27,400,000	Market Value
Contracted to be Sold — Revenue not yet Recognized	5,313.89 square metres	RMB51,724,113	Contracted Amount
Contracted to be Sold — Revenue Recognized	147,466.79 square metres	RMB1,009,006,282	Contracted Amount
Total	154,485.18 square metres	RMB1,088,130,395	

(9) Property No. 5.(a)

We have been advised by Minmetals Land Hunan Group that the property also accommodates storages and car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, the storages of 8,162.35 square metres and an aggregate of 447 car parking spaces on basement of the property were left vacant for sale with its/their rights to use and lease; while the storages of 5,815.07 square metres and an aggregate of 587 car parking spaces on basement of the property were contracted to be sold with its/their rights to use and lease as at the Date of Valuation. For reference purpose, we have been requested by the Company to assess and report the capital value(s) and contracted amount(s) of the aforesaid storages and car parking spaces on basement with its/their rights to use and lease as follows.

Portion	Gross Floor Area/Number of Car Parking Space	Capital Value/Amount	Remarks
Unsold Portion (Storage)*	8,162.35 square metres	RMB16,300,000	Investment Value
Unsold Portion (Carpark)*	447 car parking spaces	RMB38,000,000	Investment Value
Contracted to be Sold — Revenue not yet Recognized (Storage)	1,719.19 square metres	RMB3,711,139	Contracted Amount
Contracted to be Sold — Revenue Recognized (Storage)	4,095.88 square metres	RMB11,459,360	Contracted Amount
Contracted to be Sold — Revenue not yet Recognized (Carpark)	26 car parking spaces	RMB2,128,200	Contracted Amount
Contracted to be Sold — Revenue Recognized (Carpark)	561 car parking spaces	RMB44,801,918	Contracted Amount
Total	Storage of 13,977.42 square metres and 1,034 car parking spaces	RMB116,400,617	

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

(10) Property No. 6.(b)

As requested by the Company, the notional breakdown market values of the property as at the Date of Valuation is listed as follows:

Portion	Planned Gross Floor Area	Market Value	Remarks
Investment Portion	36,212.91 square metres	RMB53,000,000	Nil
Other Portion	101,574.55 square metres	RMB80,000,000	Nil
Total	137,787.46 square metres	RMB133,000,000	Nil

(11) Property No. 7.(a)

The market value of this portion of the property shown above is comprised of the assessment(s) from the unsold portion(s) with full legal rights and the contracted amount of the contracted to be sold portion(s) with full legal rights as follows.

Portion	Gross Floor Area	Market Value/Amount	Remarks
Unsold Portion	6,821.90 square metres	RMB34,400,000	Market Value
Contracted to be Sold — Revenue not yet Recognized	2,429.03 square metres	RMB22,780,830	Contracted Amount
Contracted to be Sold — Revenue Recognized	2,873.93 square metres	RMB30,274,492	Contracted Amount
Total	12,124.86 square metres	RMB87,455,322	

(12) Property No. 7.(a)

We have been advised by Minmetals Land Hunan Group that the property also accommodates car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 249 car parking spaces on basement of the property were left vacant for sale with its/their rights to use and lease; while an aggregate of 924 car parking spaces on basement of the property were contracted to be sold with its/their rights to use and lease as at the Date of Valuation. For reference purpose, we have been requested by the Company to assess and report the capital value(s) and contracted amount(s) of the aforesaid car parking spaces on basement with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value/Amount	Remarks
Unsold Portion*	249 car parking spaces	RMB17,430,000	Investment Value
Contracted to be Sold — Revenue not yet Recognized	1 car parking space	RMB72,000	Contracted Amount
Contracted to be Sold — Revenue Recognized	923 car parking spaces	RMB67,337,000	Contracted Amount
Total	1,173 car parking spaces	RMB84,839,000	

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

(13) Property No. 8.

We have been advised by Minmetals Land Hunan Group that the property accommodates 193 car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 193 car parking spaces on basement were left vacant for sale with its/their rights to use and lease. For reference purpose, we have been requested by the Company to assess the capital value(s) of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value	Remarks
Unsold Portion*	193 car parking spaces	RMB19,300,000	Investment Value

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

(14) Property No. 9.

The market value of the property shown above is comprised of the assessment(s) from the unsold portion(s) with full legal rights and the contracted amount of the contracted to be sold portion(s) with full legal rights as follows.

Portion	Gross Floor Area	Market Value/Amount	Remarks
Unsold Portion	1,460.04 square metres	RMB12,800,000	Market Value
Contracted to be Sold	284.42 square metres	RMB1,208,590	Contracted Amount
Total	1,744.46 square metres	RMB14,008,590	

(15) Property No. 9.

We have been advised by Minmetals Land Hunan Group that the property also accommodates 19 car parking spaces and 20 miscellaneous garages on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 19 car parking spaces on basement and 20 miscellaneous garages on basement of the property were left vacant for sale with its/their rights to use and lease. For reference purpose, we have been requested by the Company to assess and report the capital value(s) of the aforesaid car parking spaces on basement and miscellaneous garages on basement of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value	Remarks
Unsold Car Parking Space*	19 car parking spaces	RMB950,000	Investment Value
Unsold Miscellaneous Garage*	20 car parking spaces	RMB160,000	Investment Value
Total	39 car parking spaces	RMB1,110,000	

(16) Property No. 10.

As requested by the Company, the breakdown market values of the property as at the Date of Valuation is listed as follows:

Portion	Gross Floor Area	Market Value	Remarks
Investment Portion (Commercial)	1,791.78 square metres	RMB31,100,000	Nil
Investment Portion (Transition Floor)	789.49 square metres	Nil	No Commercial Value
Total	2,581.27 square metres	RMB31,100,000	Nil

(17) Property No. 10.

We have been advised by Minmetals Land Hunan Group that the property also accommodates 57 car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 57 car parking spaces on basement of the property were left vacant for sale with its/their rights to use and lease. For reference purpose, we have been requested by the Company to assess the capital value(s) of the aforesaid car parking spaces on basement of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value	Remarks
Unsold Portion*	57 car parking spaces	RMB3,990,000	Investment Value

* *We must stress that the capital value of the aforesaid portion of the property shown above is NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is solely assessed for the Company's internal management reference only.*

(18) Property No. 11.

As requested by the Company, the breakdown market values of the property as at the Date of Valuation is listed as follows:

Portion	Gross Floor Area	Market Value/Amount	Remarks
Investment Portion (Kindergarten)	451.77 square metres	RMB2,740,000	Nil
Total	451.77 square metres	RMB2,740,000	

(19) Property No. 11.

We have been advised by Minmetals Land Hunan Group that the property also accommodates 112 car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 112 car parking spaces on basement of the property were left vacant for sale with its/their rights to use and lease. For reference purpose, we have been requested by the Company to assess the capital value(s) of the aforesaid car parking spaces on basement of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value	Remarks
Unsold Portion*	112 car parking spaces	RMB6,720,000	Investment Value

* *We must stress that the capital value of the aforesaid portion of the property shown above is NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is solely assessed for the Company's internal management reference only.*

PROPERTY VALUATION REPORT

Property held by Tianjin Yijiahe for Development purpose

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
1.	(a) Commercial House, Ancillary Restaurant, Ancillary Post Office and Unsold portion(s), "Neo-Metropolis ", Bei Chen District, Tianjin, the PRC (b) Construction in Progress at Site 8A, Site 8B, Site 4C, Site 4A and Site 7B and Site 7A, "Neo-Metropolis", Bei Chen District, Tianjin, the PRC (c) Future Development, "Neo-Metropolis", Bei Chen District, Tianjin, the PRC	Property No. 1.(a) Completed in 2017, this portion of the property comprises a commercial house, an ancillary restaurant, an ancillary post office, various ancillary facilities and 720 car parking spaces on basement in a mega-scale residential development named "Neo-Metropolis". This portion of the property has an aggregate gross floor area of about 3,946.07 square metres with breakdown as follows. **Use** — **Gross Floor Area** Commercial House — 2,952.55 square metres Ancillary Restaurant* — 678.64 square metres Ancillary Post Office* — 233.91 square metres Exhaust Shaft in Block 1 — 4.74 square metres Pump room in Block 2 — 59.41 square metres Exhaust Shaft in Block 3 — 2.54 square metres Exhaust Shaft in Block 4 — 3.54 square metres Ventilation Shaft in Block 7 — 5.81 square metres Ventilation Shaft in Block 8 — 4.93 square metres Total — 3,946.07 square metres *(* Note: Ancillary Restaurant and Ancillary Post Office of this portion of the property with an aggregate gross floor area of about 912.55 square metres are to be surrendered to the Owner's Committee upon completion.)* This portion of the property is held under granted land-use rights for residential use to be expired on 19th September 2081. Property No. 1.(b) Upon completion in late 2023, this portion of the property will be developed into a mega-scale residential estate comprising various medium and high-rise residential buildings with basement carpark underneath. This portion of the property has an aggregate site area of about 451,901.40 square metres and a total planned gross floor area of about 979,399.54 square metres with breakdown as follows. **Use** — **Gross Floor Area** Residential — 640,024.10 square metres Commercial — 83,692.94 square metres Underground Facilities# — 232,922.20 square metres Ancillary Facilities — 22,760.30 square metres Total — 979,399.54 square metres	The unsold commercial house of the property was owner-occupied as a sales office; the under construction portion was in its progress of development; while there were several old buildings to be demolished and redeveloped on the remainder.	Property No. 1.(a) No Commercial Value (100% interest attributable to Tianjin Yijiahe: No Commercial Value) *(Note: Please also refer to Notes 2. and 3. below for further details.)* Property No. 1.(b) RMB11,000,000,000 (RENMINBI ELEVEN BILLION ONLY) (100% interest attributable to Tianjin Yijiahe: RMB11,000,000,000 (RENMINBI ELEVEN BILLION ONLY)) *(Note: Please also refer to Notes 11. and 12. below for further details.)* Property No. 1.(c) No Commercial Value (100% interest attributable to Tianjin Yijiahe: No Commercial Value) No Commercial Value (100% interest attributable to Tianjin Yijiahe: No Commercial Value) *(Note: Please also refer to Note 15. below for further details.)*

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
		(# This portion of the property will provide 6,452 car parking spaces on basement upon completion which will have no full legal rights but the rights to use and lease.) This portion of the property is held under granted land-use rights for urban residential use to be expired on 28th August 2088, 8th November 2088, 26th September 2089, 16th October 2089, 27th November 2089, 11th November 2089, 23rd March 2090, 27th March 2059, 16th October 2059 and 27th October 2059 for commercial use. Property No. 1.(c) This portion of the property is intended to be developed into a mega-scale residential estate comprising various medium and high-rise residential buildings with basement carpark underneath. This portion of the property has a site area of about 584,237.10 square metres and an intended aboveground gross floor area of about 1,149,031.47 square metres, including residential and commercial gross floor area of about 1,090,111.47 square metres as well as other ancillary facilities of about 58,920.00 square metres. This portion of the property is to be held under granted land-use rights with the terms of 70 years for residential use, 50 years for office use and 40 years for commercial use.		

Notes (Property No. 1.(a)):

1. Pursuant to "Tianjin Real Estate Ownership Certificate" (Document No.: Fang Di Zheng Jin Zi No. 113051200329), the land-use rights of this portion of the property is vested in the name of "Tianjin Yijiahe Real Estate Company Limited".

2. Pursuant to "Construction Work Planning Permit" (Document No: 2014 Bei Chen Zhu Zheng 0024), the construction work of the Commercial House of this portion of the property having an aggregate gross floor area of about 2,994.50 square metres complies with urban and rural planning requirements.

3. Pursuant to "Real Estate Ownership Certificate", the land use rights and building ownership of the property are vested in the name of "Tianjin Yijiahe Real Estate Company Limited" with details as follows.

No.	Document No.	Portion	Gross Floor Area	Remarks
1.	Jin (2019) Bu Chen Qu Bu Dong Chan Quan 1014616	13–1	678.64 square metres	Ancillary Restaurant
2.	Jin (2019) Bu Chen Qu Bu Dong Chan Quan 1014653	16–2	233.91 square metres	Ancillary Post Office
3.	Jin (2019) Bu Chen Qu Bu Dong Chan Quan 1014610	Basement Carpark and Ancillary Area	7,300.57 square metres	
4.	Fang Di Zheng Jin Zi Di 1130815001401	2-WT1	4.74 square metres	Exhaust Shaft
5.	Fang Di Zheng Jin Zi Di 1130815001402	2-WT2	59.41 square metres	Pump Room
6.	Fang Di Zheng Jin Zi Di 1130815002202	3-WT1	2.54 square metres	Exhaust Shaft
7.	Fang Di Zheng Jin Zi Di 1130815001874	4-WT1	3.54 square metres	Exhaust Shaft
8.	Fang Di Zheng Jin Zi Di 1130815002668	7-WT1	5.81 square metres	Air Shaft
9.	Fang Di Zheng Jin Zi Di 1130815002463	8-WT1	4.93 square metres	Air Shaft
10.	Fang Di Zheng Jin Zi Di 1130815006305	Basement Carpark and Ancillary Area	36,316.63 square metres	

4. We have been advised by Tianjin Yijiahe that

(1) the Commercial House of which relevant Real Estate Title Certificate is planned to be applied by the end of 2021 and there is no expected timeline to obtain;

(2) the Ancillary Restaurant and the Ancillary Post Office are to be surrendered to the Owner's Committee upon completion; and

(3) the 720 car parking spaces on basement have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC.

For reference purpose, we have been requested by the Company to assess the capital value(s) of this portion of the property as at the Date of Valuation by

(1) assuming that a valid Real Estate Title Certificate has been issued for the Commercial House; and

(2) assuming that the car parking space(s) could be disposed of with its/their rights to use and lease.

Portion	Gross Floor Area/Number of Car parking Space	Capital Value as at the Date of Valuation	Remarks
Commercial House*	2,952.55 square metres	RMB53,100,000	Investment Value
Ancillary Restaurant#	678.64 square metres	Nil	No Commercial Value
Ancillary Post Office#	233.91 square metres	Nil	No Commercial Value
Exhaust Shaft in Block 1#	4.74 square metres	Nil	No Commercial Value
Pump room in Block 2#	59.41 square metres	Nil	No Commercial Value
Exhaust Shaft in Block 3#	2.54 square metres	Nil	No Commercial Value
Exhaust Shaft in Block 4#	3.54 square metres	Nil	No Commercial Value
Ventilation Shaft in Block 7#	5.81 square metres	Nil	No Commercial Value
Ventilation Shaft in Block 8#	4.93 square metres	Nil	No Commercial Value
Unsold Car Parking Space*	720 car parking spaces	RMB50,400,000	Investment Value
Total	3,946.07 square metres and 720 car parking spaces	RMB103,500,000	Nil

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

\# *Since the Ancillary Restaurant and the Ancillary Post Office of this portion of the property are to be surrendered to Owners' Committee without consideration while the remainder are regarded as Ancillary Facilities, we have ascribed no commercial value thereto accordingly.*

Notes (Property No. 1.(b)):

5. Pursuant to "State-owned Land-use Certificates" (Document Nos.: Jin (2018) Bei Chen Qu Bu Dong Chan Quan Di No. 1015895, Jin (2018) Bei Chen Qu Bu Dong Chan Quan Di No. 1019427, Jin (2018) Bei Chen Qu Bu Dong Chan Quan Di No. 1005144, Jin (2018) Bei Chen Qu Bu Dong Chan Quan Di No. 1036439, Jin (2018) Bei Chen Qu Bu Dong Chan Quan Di No. 1037940, Jin (2018) Bei Chen Qu Bu Dong Chan Quan Di No. 1040084, Jin (2018) Bei Chen Qu Bu Dong Chan Quan Di No. 1037613, Jin (2018) Bei Chen Qu Bu Dong Chan Quan Di No. 1005885 and Jin (2018) Bei Chen Qu Bu Dong Chan Quan Di No. 1005963), the granted land-use rights of this portion of the property is vested in the name of "Tianjin Yijiahe Real Estate Company Limited".

6. Pursuant to "Certificate of Other Interests" (Document Nos.: Jin (2018) Bei Chen Qu Bu Dong Chan Zheng Ming No. 4006456 and Jin (2018) Bei Chen Qu Bu Dong Chan Zheng Ming No. 3001217), this portion of the property with site area of 71,735.60 square metres and gross floor area of 120.28 square metres is subject to mortgages from 22nd February 2017 to 21st February 2022 and 20th January 2017 to 11th January 2025 respectively.

7. Pursuant to "Real Estate Registration Certificates" (Document Nos.: Jin (2019) Bei Chen Qu Bu Dong Chan Zheng Ming No. 1036439, Jin (2019) Bei Chen Qu Bu Dong Chan Zheng Ming No. 1037940 and Jin (2019) Bei Chen Qu Bu Dong Chan Zheng Ming No. 1040084), this portion of the property with an aggregate site area of 122,330.01 square metres is subject to mortgages from 20th January 2017 to 11th January 2025 and from 13th November 2019 to 12th November 2021.

8. Pursuant to "Construction Land-use Planning Permit" (Document No.: 2005 Jin Di Zheng Zi 0004), the land-use of the property complies with urban planning requirements.

9. Pursuant to "Construction Work Planning Permits" (Document Nos.: 2018 Bei Chen Zhu Zheng 0023, 2018 Bei Chen Jian Zheng 5011, 2019 Bei Chen Zhu Zheng 0117, 2019 Bei Chen Zhu Zheng 0118, 2019 Bei Chen Zhu Zheng 0119, 2019 Bei Chen Zhu Zheng 0120 and 2019 Bei Chen Jian Zheng 0121), part of the construction work of this portion of the property having an aggregate gross floor area of about 507,000.10 square metres complies with urban and rural planning requirements

10. Pursuant to "Construction Work Commencement Permits" (Document Nos.: 120113201810290 1121, 120113201812050 1121, 120113201812130 2121, 120113201812170 1121, 120113201910280 7161, 120113201911061 6121, 120113201911080 9121 and 120113201911140 3121), part of the construction work of this portion of the property having an aggregate gross floor area of about 727,847.74 square metres complies with construction work commencement conditions and has been approved for construction.

11. Pursuant to "Tian Jin City Commodity Housing Sales Permits" (Document Nos.: Jin Guo Tu Fang Shou Xu Zi 2018 No. 1543–001, Jin Guo Tu Fang Shou Xu Zi 2018 No. 1542–001–004, Jin Guo Tu Fang Shou Xu Zi 2018 No. 1541–001, Jin Guo Tu Fang Shou Xu Zi 2018 No. 1419–001, Jin Guo Tu Fang Shou Xu Zi 2018 No. 1341–001–002, Jin Guo Tu Fang Shou Xu Zi 2018 No. 1340–001–003, Jin Guo Tu Fang Shou Xu

Zi 2018 No. 1243–001, Jin Guo Tu Fang Shou Xu Zi 2018 No. 1242–001–002, Jin Guo Tu Fang Shou Xu Zi 2018 No. 1243–001), part of this portion of the property with an aggregate gross floor area of 366,060.56 square metres is permitted to presale.

12. As advised by Tianjin Yijiahe, the budget construction cost and construction work done of this portion of the property as of the Date of Valuation are RMB4,470,001,600 and RMB1,065,206,228 respectively which have been duly considered in our valuation(s) shown above to reflect the quality and existing state of this portion of the property.

13. As advised by Tianjin Yijiahe, part of this portion of the property having an aggregate gross floor area of about 366,060.56 square metres and 300 car parking spaces were presold at an aggregate consideration of RMB7,255,080,040 and RMB37,059,000 respectively as of the Date of Valuation; and the aforesaid consideration has been duly reflected in our valuation(s) shown above.

14. The gross development value of this portion of the property, as intended to mean "the market value of the property assuming the proposed development has been newly completed as at the Date of Valuation pursuant to the prevailing development control parameters under the relevant regulatory frameworks as well as the latest hypothetical development proposal made available to us", is assessed at RMB14,737,370,175 (RENMINBI FOURTEEN BILLION SEVEN HUNDRED THIRTY SEVEN MILLION THREE HUNDRED SEVENTY THOUSAND ONE HUNDRED SEVENTY FIVE ONLY) as at the Date of Valuation which includes the presale contract sum as stated in Note 13. above.

Notes (Property No. 1.(c)):

15. Pursuant to "Tianjin City State-owned Land-use Rights Grant Contract" and its Supplementary Agreement(s), the land-use rights of a land parcel with a site area of about 1,115,476.40 square metres (including this portion of the property) was to be granted to "Tianjin Yijiahe Real Estate Company Limited" for residential, office and commercial uses having maximum gross floor area(s) of 1,664,810.00 square metres for residential use (including balcony, mezzanine floor and ancillary facilities) and 377,940.00 square metres for commercial and office uses respectively with construction work to be completed by 30th November 2024.

16. Since no valid "State-owned Land-use Certificate" was issued for Property No. 1.(c) as of the Date of Valuation, we have ascribed no commercial value to Property No. 1.(c). Had a valid "State-owned Land-use Certificate" been issued for Property No. 1.(c) as at the Date of Valuation, we are of the opinion that the market value of the Property No. 1.(c) is RMB11,861,848,164 (RENMINBI ELEVEN BILLION EIGHT HUNDRED SIXTY ONE MILLION EIGHT HUNDRED FORTY EIGHT THOUSAND ONE HUNDRED SIXTY FOUR ONLY) assuming that all land-use rights grant premium was fully settled and the property could freely be transferred, leased out, mortgaged or by other legal means disposed of in the prevailing market without paying additional land-use rights grant premium.

17. We have further been advised by Tianjin Yijiahe that relevant "State-owned Land-use Certificate" for Property No. 1.(c) shall be applied and obtained in the coming 3 to 5 years based on the progress of the resettlement work.

18. As advised by Tianjin Yijiahe, the total compensation for removal and resettlement of the property as of the Date of Valuation was RMB14,900,000,000 of which RMB5,868,492,892 was incurred. After taking into account of the aforesaid compensation, the capital value of Property No. 1.(c) would become RMB2,830,341,056 (RENMINBI TWO BILLION EIGHT HUNDRED THIRTY MILLION THREE HUNDRED FORTY ONE THOUSAND FIFTY SIX ONLY) assuming that a valid "State-owned Land-use Certificate" has been issued as at the Date of Valuation.

Notes (Property No. 1.(a), Property No. 1.(b) and Property No. 1.(c)):

19. After completion of the Acquisition, Tianjin Yijiahe will become an indirect 49% owned associate of the Company, of which profit sharing will be based on equity holding stake.

20. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Ms Kathy L. L. MAK** *BSc(Hons)* under the direct supervision of **Sr Franky C. H. WONG** *MSc(RealEst) MCIM FIPA FRICS MHKIS RPS(GP) China Registered Real Estate Appraiser RICS Registered Valuer* on 28th August 2019; and a subsequent inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Sr Franky C. H. WONG** *MSc(RealEst) MCIM FIPA FRICS MHKIS RPS(GP) China Registered Real Estate Appraiser RICS Registered Valuer* and **Mr Jeff M. C. Liu** *BSc(Hons)* on 9th January 2020.

21. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

    1. As confirmed by "Tianjin Yijiahe Real Estate Company Limited" and according to appropriate verification conducted by the PRC Legal Adviser, "Tianjin Yijiahe Real Estate Company Limited" has proprietary rights and disposal rights over land-use rights and building ownership of the property (except the Commercial House that "Tianjin Yijiahe Real Estate Company Limited" does not have vested legal title), and is not subject to pledges save as disclosed in Notes 6. and 7. above.

    2. Part of the land-use rights of the property is subject to mortgage with details as follows.

        1. Site area of 71,735.60 square metres from 22nd February 2017 to 21st February 2022.

        2. Gross floor area of 120.28 square metres from 20th January 2017 to 11th January 2025.

        3. Site area of 122,330.01 square metres from 20th January 2017 to 11th January 2025 and from 13th November 2019 to 12th November 2021.

    3. In respect of the Commercial House of the property that "Tianjin Yijiahe Real Estate Company Limited" does not have vested legal title, subject to submission of application to Real Estate Registration Official in 30 days from date of completion and inspection, "Tianjin Yijiahe Real Estate Company Limited" shall have no material legal impediment in obtaining "Real Estate Title Certificate" of the Commercial House of the property.

    4. "Construction Work Commencement Permit" for Lot 4C of the property was obtained before conducting environmental impact assessment, there exists potential risks in administrative penalty from relevant environmental protection bureau as to contravention of relevant laws in environmental protection.

    5. In respect of the basement carpark in Lot 8C of the property with "Real Estate Title Certificate", such carpark was non-accountable for common area calculation and hence such carpark is vested in the name of "Tianjin Yijiahe Real Estate Company Limited". Since "Tianjin Municipal Bureau of Planning and Natural Resources" believes that car parking space(s) do(es) not have structural isolation, separate "Real Estate Title Certificate" could not be obtained for individual car parking space in Tianjin.

    6. Subject to fulfilment of relevant process, there is no material legal impediment in obtaining "Real Estate Title Certificate" in respect of the land-use rights of the property with site area of 584,236.5 square metres that "Tianjin Yijiahe Real Estate Company Limited" does not have vested legal title at present.

PROPERTY VALUATION REPORT

Property held by Minmetals Land Hunan Group for Development purpose

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
2.	Construction in Progress, "Realm of Landscape", Kai Fu District, Changsha, Hunan Province, the PRC	To be completed in 2022, the property will comprise a large-scale residential, apartment, commercial houses and commercial mixed-use development named "Realm of Landscape" upon completion. The property has a site area of about 87,011.34 square metres (including the portion of about 106.3 square metres under the process of transferal) and a total gross floor area of about 308,340.56 square metres with breakdown below. **Use** — **Gross Floor Area*** Residential — 195,894.69 square metres Commercial House — 5,190.04 square metres Commercial Apartment — 42,383.44 square metres Kindergarten* — 1,800.69 square metres Underground Facilities# — 53,790.02 square metres Commercial — 6,085.59 square metres Ancillary Facilities — 3,196.09 square metres Total — 308,340.56 square metres *(* Note: The kindergarten is to be surrendered to the Government upon completion.)* *(# Note: This portion of the property will provide 1,506 car parking spaces on basement upon completion which will have no full legal rights but the rights to use and lease.)* The property is held under granted land-use rights with the terms to be expired on 27th July 2088 for residential use and 27th July 2058 for commercial uses.	As inspected, the property was in its early stage of development as at the Date of Valuation.	RMB1,590,000,000 (RENMINBI ONE BILLION FIVE HUNDRED NINETY MILLION ONLY) (50% interest attributable to Minmetals Land Hunan: RMB795,000,000 (RENMINBI SEVEN HUNDRED NINETY FIVE MILLION ONLY))

Notes:

1. Pursuant to "State-owned Land-use Rights Grant Contract" (Document No.: 201800047), "Agreement of Land-use Rights Transfer Contract" and "Agreement of Land-use Rights Transfer Supplementary Contract", the granted land-use rights of the property with aggregate site area of about 87,011.34 square metres (including the portion of about 106.3 square metres under the process of transferal) was to be granted to "Hunan Kuangmeng Property Development Co., Ltd." for commercial and residential uses having the plot ratios of 3.6 times and 2.78 times respectively with construction work to be commenced by 12th September 2019 and to be completed by 12th September 2022.

2. Pursuant to "State-owned Land-use Certificates" (Document Nos.: Xiang (2018) Chang Sha Shi Bu Dong Chan Quan Di No. 0342921 and Xiang (2019) Chang Sha Shi Bu Dong Chan Quan Di No. 0403164), the land-use rights of the property is vested in the name of "Hunan Kuangmeng Property Development Co., Ltd.".

3. Pursuant to "Construction Land-use Planning Permit" (Document No.: Jian Gui (Di) Zi No. Chu 2018 0058), the land-use of the property complies with urban planning requirements.

4. Pursuant to "Construction Work Planning Permits" (Document Nos.: Jian Gui Jian Zi No. Jian 1 2019 0057, Jian Gui Jian Zi No. Jian 2 2019 0079, Jian Gui Jian Zi No. Jian 2 2019 0080 and Jian Gui Jian Zi No. Jian 1 2019 0081), part of the construction work of the property having an aggregate gross floor area of about 249,428.30 square metres complies with urban and rural planning requirements.

5. Pursuant to "Construction Work Commencement Permits" (Document Nos.: 430105201906190101 and 430105201912310101), part of the construction work of the property having an aggregate gross floor area of about 249,428.30 square metres complies with construction work commencement conditions and has been approved for construction.

6. Pursuant to "Commodity Housing Presale Permits" (Document Nos.: Zhang Zhu Jian Shou Xu Zi (2019) Nos. 0382 and 0279 and Zhang Zhu Jian Shou Xu Zi (2020) Nos. 0038 and 0068), an aggregate gross floor area of 77,582.52 square metres of part of this portion of the property is permitted to presale.

7. Pursuant to "Fixed Asset Loan Contract" (Contract No.: HTZ430774600GDZC201900010), the property is subject to a loan to an extent of RMB470,000,000 from 26th December 2019 to 26th December 2022.

8. Pursuant to "Maximum Mortgage Contract" (Contract No.: HTC4307746600ZGDB201900020), portion of the property under construction with aggregate gross floor area of 23,947.44 square metres is subject to mortgage from 23rd December 2019 to 31st January 2023.

9. As advised by Minmetals Land Hunan Group, the budget construction cost and construction work done of the property as of the Date of Valuation are RMB1,281,275,357 and RM207,978,102 respectively which have been duly considered in our valuation(s) shown above to reflect the quality and existing state of the property.

10. As advised by Minmetals Land Hunan Group, part of the property having an aggregate gross floor area of about 33,653.74 square metres of residential use was presold at an aggregate consideration of RMB394,952,516 as of the Date of Valuation; and the aforesaid consideration has been duly reflected in our valuation(s) shown above.

11. The gross development value of the property, as intended to mean "the market value of the property assuming the proposed development has been newly completed as at the Date of Valuation pursuant to the prevailing development control parameters under the relevant regulatory frameworks as well as the latest hypothetical development proposal made available to us", is assessed at RMB3,151,769,176 (RENMINBI THREE BILLION ONE HUNDRED FIFTY ONE MILLION SEVEN HUNDRED SIXTY NINE THOUSAND ONE HUNDRED SEVENTY SIX ONLY) as at the Date of Valuation.

12. After completion of the Capital Injection, "Hunan Kuangmeng Property Development Co., Ltd." will become an indirectly non-wholly owned subsidiary of the Company.

13. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Sr Eric W. L. TANG** *BSc MRICS RICS Registered Valuer* on 4th September 2019.

14. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

    1. "Hunan Kuangmeng Property Development Co., Ltd." has obtained the "State-owned Land-use Certificate" of the property.

    2. As confirmed by "Hunan Kuangmeng Property Development Co., Ltd." and according to appropriate verification conducted by the PRC Legal Adviser, "Hunan Kuangmeng Property Development Co., Ltd." has proprietary rights and disposal rights over land-use rights of the property, and is not subject to pledges save as disclosed.

    3. In respect of the planned spaces or carports for parking of vehicles vested in the name of "Hunan Kuangmeng Property Development Co., Ltd.", such spaces or carports could be leased or transferred with its use rights to owner(s) of the development.

PROPERTY VALUATION REPORT

Property held by Minmetals Land Hunan Group for Sale purpose

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
3.	Various Unsold Portion(s) and Contracted to be Sold Portion(s), "Changsha Greenland Center", Kai Fu District, Changsha, Hunan Province, the PRC	Completed in stages from 2016 to 2018, the property comprises various unsold and contracted to be sold portion(s) in "Changsha Greenland Center". The unsold portion(s) of the property has an aggregate gross floor area of about 39,096.35 square metres with breakdown as follows. **Use** — **Gross Floor Area** Office — 26,470.82 square metres Commercial — 12,625.53 square metres Total — 39,096.35 square metres The contracted to be sold portion(s) of the property has an aggregate gross floor area of about 30,009.29 square metres. **Use** — **Gross Floor Area** Office — 29,225.72 square metres Commercial — 783.57 square metres Total — 30,009.29 square metres The unsold portion(s) of the property also comprises 605 car parking spaces on basement which have no full legal rights but the rights to use and lease. The property is held under granted land-use rights for commercial use to be expired on 7th December 2052.	As inspected, the unsold portions of the property were left vacant; the contracted to be sold portions of the property were handing over to the purchaser(s).	*Unsold Portion(s)* RMB682,000,000 (RENMINBI SIX HUNDRED EIGHTY TWO MILLION ONLY) (50% interest attributable to Minmetals Land Hunan: RMB341,000,000 (RENMINBI THREE HUNDRED FORTY ONE MILLION ONLY)) *Contracted to be Sold — Revenue not yet Recognized* RMB504,398,495 (RENMINBI FIVE HUNDRED FOUR MILLION THREE HUNDRED NINETY EIGHT THOUSAND FOUR HUNDRED NINETY FIVE ONLY) (50% interest attributable to Minmetals Land Hunan: RMB252,199,248 (RENMINBI TWO HUNDRED FIFTY TWO MILLION ONE HUNDRED NINETY NINE THOUSAND TWO HUNDRED FORTY EIGHT ONLY)) *Contracted to be Sold — Revenue Recognized* RMB7,038,350 (RENMINBI SEVEN MILLION THIRTY EIGHT THOUSAND THREE HUNDRED FIFTY ONLY) (50% interest attributable to Minmetals Land Hunan: RMB3,519,175 (RENMINBI THREE MILLION FIVE HUNDRED NINETEEN THOUSAND ONE HUNDRED SEVENTY FIVE ONLY)) *(Note: Please also refer to Notes 4. and 5. below for further details.)*

Notes:

1. Pursuant to "State-owned Land-use Certificates" (Document Nos.: Chang Guo Yong (2013) Nos. 052661, 052662 and 052663), the land-use rights of the property is vested in the name of "Hunan Greenland Financial City Property Development Co., Ltd.".

2. Pursuant to "Construction Work Completion Registrations" (Document Nos.: 2018 — Bei 637, 2018 — Bei 636, 2016 Bei 0833, 2016 Bei 0834 and 2016 Bei 0835), the construction work of the property was certified for completion in 2018.

3. Pursuant to "Mortgage Contract", portion of the property is subject to mortgage from 1st August 2019 to 31st July 2024.

4. The market value of the property shown above is comprised of the assessment(s) from the unsold portion(s) with full legal rights and the contracted amount of the contracted to be sold portion(s) with full legal rights as follows.

Portion	**Gross Floor Area**	**Market Value/Amount**	**Remarks**
Unsold Portion	39,096.35 square metres	RMB682,000,000	Market Value
Contracted to be Sold — Revenue not yet Recognized	29,904.24 square metres	RMB504,398,495	Contracted Amount
Contracted to be Sold — Revenue Recognized	105.05 square metres	RMB7,038,350	Contracted Amount
Total	69,105.64 square metres	RMB1,193,436,845	

5. We have been advised by Minmetals Land Hunan Group that the property also accommodates car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 605 car parking spaces on basement were left vacant for sale with its/their rights to use and lease; while an aggregate of 40 car parking spaces on basement were contracted to be sold — revenue not yet recognized with its/their rights to use and lease as at the Date of Valuation. For reference purpose, we have been requested by the Company to assess the capital value(s) of the aforesaid car parking spaces on basement of the property with its/their rights to use and lease as follows.

Portion	**Number of Car Parking Space**	**Capital Value/ Amount**	**Remarks**
Unsold Portion*	605 car parking spaces	RMB60,500,000	Investment Value
Contracted to be Sold — Revenue not yet Recognized	40 car parking spaces	RMB5,200,000	Contracted Amount
Total	645 car parking spaces	RMB65,700,000	

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

6. After completion of the Capital Injection, “Hunan Greenland Financial City Property Development Co., Ltd.” will become an indirect 50% owned associate of the Company, of which profit sharing will be based on equity holding stake.

7. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Sr Eric W. L. TANG** *BSc MRICS RICS Registered Valuer* on 3rd September 2019.

8. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

    1. “Hunan Greenland Financial City Property Development Co., Ltd.” has obtained the “State-owned Land-use Certificate” of the property.

    2. As confirmed by “Hunan Greenland Financial City Property Development Co., Ltd.” and according to appropriate verification conducted by the PRC Legal Adviser, “Hunan Greenland Financial City Property Development Co., Ltd.” has proprietary rights and disposal rights over land-use rights and building ownership of the property, and is not subject to pledges save as disclosed.

    3. In respect of the planned spaces or carports for parking of vehicles vested in the name of “Hunan Greenland Financial City Property Development Co., Ltd.”, such spaces or carports could be leased or transferred with its use rights to owner(s) of the development.

    4. The land-use rights and corresponding 18th Floor to 23rd Floor of T1 of the property is subject to mortgage.

    5. The property was completed and inspected on 10th December 2018 when was later than that of the date stated in “State-owned Land-use Rights Grant Contract”. There was no clause for delay in completion under “State-owned Land-use Rights Grant Contract” and “Changsha Municipal Land Administration” has not demanded for non-fulfilment in respect of such delay.

PROPERTY VALUATION REPORT

Property held by Minmetals Land Hunan Group for Sale purpose

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
4.	Various Unsold Portion(s) and Contracted to be Sold Portion(s), "Minmetals Chai Da Mu Plaza", Wu Si Road West, Hai Hu New District, Xining, Qinghai Province, the PRC	Completed in 2016, the property comprises various unsold portion(s) and various contracted to be sold portion(s) in a large-scale residential, apartment, office, commercial and hotel mixed use development named "Minmetals Chai Da Mu Plaza". The unsold portion(s) of the property comprises 353 car parking spaces on basement which have no full legal rights but the rights to use and lease. The contracted to be sold portion(s) of the property has an aggregate gross floor area of about 163,497.74 square metres; and 281 car parking spaces on basement which have no full legal rights but the rights to use and lease. The property is held under granted land-use rights with the terms to be expired on 3rd March 2084 for residential use and 3rd March 2054 for commercial finance uses.	As inspected, the unsold portions of the property were left vacant; while the contracted to be sold portions of the property were handing over to the purchaser(s).	*Contracted to be Sold — Revenue not yet Recognized* RMB432,757,973 (RENMINBI FOUR HUNDRED THIRTY TWO MILLION SEVEN HUNDRED FIFTY SEVEN THOUSAND NINE HUNDRED SEVENTY THREE ONLY) (100% interest attributable to Minmetals Land Hunan: RMB432,757,973 (RENMINBI FOUR HUNDRED THIRTY TWO MILLION SEVEN HUNDRED FIFTY SEVEN THOUSAND NINE HUNDRED SEVENTY THREE ONLY)) *Contracted to be Sold — Revenue Recognized* RMB963,732,952 (RENMINBI NINE HUNDRED SIXTY THREE MILLION SEVEN HUNDRED THIRTY TWO THOUSAND NINE HUNDRED FIFTY TWO ONLY) (100% interest attributable to Minmetals Land Hunan: RMB963,732,952 (RENMINBI NINE HUNDRED SIXTY THREE MILLION SEVEN HUNDRED THIRTY TWO THOUSAND NINE HUNDRED FIFTY TWO ONLY)) *(Note: Please also refer to Notes 3. and 4. below for further details.)*

Notes:

1. Pursuant to "State-owned Land-use Certificates" (Document Nos.: Ning Guo Yung (2014) Nos. 00202 and 00204), the land-use rights of the property is vested in the name of "Minmetals Land (Xining) Development Co., Ltd.".

2. Pursuant to "Completion Inspection Registration Forms", the property was completed in 2016.

3. The market value of the property shown above is comprised of the assessment(s) from the unsold portion(s) with full legal rights and the contracted amount of the contracted to be sold portion(s) with full legal rights as follows.

Portion	Gross Floor Area	Market Value/Amount	Remarks
Unsold Portion	Nil	Nil	Nil
Contracted to be Sold — Revenue not yet Recognized	50,442.61 square metres	RMB432,757,973	Contracted Amount
Contracted to be Sold — Revenue Recognized	113,055.13 square metres	RMB963,732,952	Contracted Amount
Total	163,497.74 square metres	RMB1,396,490,925	

4. We have been advised by Minmetals Land Hunan Group that the property accommodates car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 353 car parking spaces on basement of the property were left vacant for sale with its/their rights to use and lease; while an aggregate of 281 car parking spaces on basement were contracted to be sold — revenue not yet recognized with its/their rights to use and lease as at the Date of Valuation. For reference purpose, we have been requested by the Company to assess and report the capital value(s) and contracted amount(s) of the aforesaid car parking spaces on basement of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value/Amount	Remarks
Unsold Portion*	353 car parking spaces	RMB49,400,000	Investment Value
Contracted to be Sold — Revenue not yet Recognized	281 car parking spaces	RMB45,037,548	Contracted Amount
Total	634 car parking spaces	RMB94,437,548	

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

5. After completion of the Capital Injection, "Minmetals Land (Xining) Development Co., Ltd." will become an indirect non-wholly owned subsidiary of the Company.

6. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Sr Franky C. H. WONG** *MSc(RealEst) MCIM FIPA FRICS MHKIS RPS(GP) China Registered Real Estate Appraiser RICS Registered Valuer* on 28th August 2019.

7. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

    1. "Minmetals Land (Xining) Development Co., Ltd." has obtained the "State-owned Land-use Certificate" of the property.

    2. As confirmed by "Minmetals Land (Xining) Development Co., Ltd." and according to appropriate verification conducted by the PRC Legal Adviser, "Minmetals Land (Xining) Development Co., Ltd." has proprietary rights and disposal rights over land-use rights and building ownership of the property, and is not subject to pledges.

    3. In respect of the planned spaces or carports for parking of vehicles vested in the name of "Minmetals Land (Xining) Development Co., Ltd.", such spaces or carports could be leased or transferred with its use rights to owners of the development.

PROPERTY VALUATION REPORT

Property held by Minmetals Land Hunan Group for Development purpose

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
5.	(a) Various Unsold Portion(s) and Contracted to be Sold Portion(s), "Taian Scenery Cove", Zhangchen Road, Gaoxin District, Tai'an, Shandong Province, the PRC (b) Construction in Progress at Site A13, "Taian Scenery Cove", Zhangchen Road, Gaoxin District, Tai'an City, Shandong Province, the PRC	See below	As inspected, the unsold portions of the property were left vacant; the contracted to be sold portions of the property were handing over to the purchaser(s); while the under construction portion was in its progress of development.	See below

Description and Tenure

Property No. 5.(a)

Completed in stages from 2016 to 2018, the property comprises various unsold portion(s) and various contracted to be sold portion(s) in a large-scale residential development named "Taian Scenery Cove".

The unsold portion(s) of the property has an aggregate gross floor area of about 1,704.50 square metres with breakdown as follows.

Use	Gross Floor Area
Residential	88.16 square metres
Villa	1,616.34 square metres
Total	1,704.50 square metres

The unsold portion(s) of the property also comprises storage of about 8,162.35 square metres and 447 car parking spaces on basement which have no full legal rights but the rights to use and lease.

The contracted to be sold portion(s) of the property has an aggregate gross floor area of about 5,815.07 square metres for stage use and 587 car parking spaces on basement which have no full legal rights but the rights to use and lease.

This portion of the property is held under granted land-use rights with the terms to be expired on 30th July 2084 for urban residential use.

Property No. 5.(b)

Upon completion in 2022, this portion of the property will be developed into a large-scale residential estate comprising various medium and high-rise residential buildings with basement carpark underneath.

This portion of the property has a site area of about 97,200 square metres and a total planned gross floor area of about 362,119.80 square metres with breakdown as follows.

Use	Gross Floor Area
Residential	262,614.07 square metres
Ancillary Facilities	5,475.28 square metres
Management Office	4,070.65 square metres
Basement Storage	23,999.28 square metres
Basement Carpark#	65,960.52 square metres
Total	362,119.80 square metres

(# Note: The basement carpark of this portion of the property will provide 2,512 car parking spaces on basement upon completion which will have no full legal rights but the rights to use and lease.)

This portion of the property is held under granted land-use rights for urban residential use from 8th January 2019 to 7th January 2089.

Market Value in Existing State as at the Date of Valuation

Property No. 5.(a) — *Unsold Portion(s)*

RMB27,400,000 (RENMINBI TWENTY SEVEN MILLION FOUR HUNDRED THOUSAND ONLY)

(100% interest attributable to Minmetals Land Hunan: RMB27,400,000 (RENMINBI TWENTY SEVEN MILLION FOUR HUNDRED THOUSAND ONLY)

Property No. 5.(a) — *Contracted to be Sold — Revenue not yet Recognized*

RMB51,724,113 (RENMINBI FIFTY ONE MILLION SEVEN HUNDRED TWENTY FOUR THOUSAND ONE HUNDRED THIRTEEN ONLY)

(100% interest attributable to Minmetals Land Hunan: RMB51,724,113 (RENMINBI FIFTY ONE MILLION SEVEN HUNDRED TWENTY FOUR THOUSAND ONE HUNDRED THIRTEEN ONLY)

Property No. 5.(a) — *Contracted to be Sold — Revenue Recognized*

RMB1,009,006,282 (RENMINBI ONE BILLION NINE MILLION SIX THOUSAND TWO HUNDRED EIGHTY TWO ONLY)

(100% interest attributable to Minmetals Land Hunan: RMB1,009,006,282 (RENMINBI ONE BILLION NINE MILLION SIX THOUSAND TWO HUNDRED EIGHTY TWO ONLY)

(Note: Please also refer to Notes 3. and 4. below for further details.)

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
				Property No. 5.(b) RMB1,232,000,000 (RENMINBI ONE BILLION TWO HUNDRED THIRTY TWO MILLION ONLY) (100% interest attributable to Minmetals Land Hunan: RMB1,232,000,000 (RENMINBI ONE BILLION TWO HUNDRED THIRTY TWO MILLION ONLY) *(Note: Please also refer to Notes 12. and 13. below for further details.)*

Notes (Property No. 5.(a)):

1. Pursuant to "State-owned Land-use Certificates" (Document Nos.: Tai Tu Guo Yong (2014) No. K-0085, Tai Tu Guo Yong (2014) No. K-0086 and Tai Tu Guo Yong (2015) No. K-0165), the land-use rights of this portion of the property is vested in the name of "Minmetals Land (Taian) Development Co., Ltd.".

2. Pursuant to "Completion Inspection Registration Forms", this portion of the property was completed in stages from 2016 to 2018.

3. The market value of this portion of the property shown above is comprised of the assessment(s) from the unsold portion(s) with full legal rights and the contracted amount of the contracted to be sold portion(s) with full legal rights as follows.

Portion	Gross Floor Area	Market Value/Amount	Remarks
Unsold Portion	1,704.50 square metres	RMB27,400,000	Market Value
Contracted to be Sold — Revenue not yet Recognized	5,313.89 square metres	RMB51,724,113	Contracted Amount
Contracted to be Sold — Revenue Recognized	147,466.79 square metres	RMB1,009,006,282	Contracted Amount
Total	154,485.18 square metres	RMB1,088,130,395	

4. We have been advised by Minmetals Land Hunan Group that this portion of the property also accommodates storages and car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, the storages of 8,162.35 square metres and an aggregate of 447 car parking spaces on basement of this portion of the property were left vacant for sale with its/their rights to use and lease; while the storages of 5,815.07 square metres and an aggregate of 587 car parking spaces on basement of this portion of the property were contracted to be sold with its/their rights to use and lease as at the Date of Valuation. For reference purpose, we have been requested by the Company to assess and report the capital value(s) and contracted amount(s) of the aforesaid storages and car parking spaces on basement with its/their rights to use and lease as follows.

Portion	Gross Floor Area/Number of Car Parking Space	Capital Value/Amount	Remarks
Unsold Portion (Storage) *	8,162.35 square metres	RMB16,300,000	Investment Value
Unsold Portion (Carpark) *	447 car parking spaces	RMB38,000,000	Investment Value
Contracted to be Sold — Revenue not yet Recognized (Storage)	1,719.19 square metres	RMB3,711,139	Contracted Amount
Contracted to be Sold — Revenue Recognized (Storage)	4,095.88 square metres	RMB11,459,360	Contracted Amount
Contracted to be Sold — Revenue not yet Recognized (Carpark)	26 car parking spaces	RMB2,128,200	Contracted Amount
Contracted to be Sold — Revenue Recognized (Carpark)	561 car parking spaces	RMB44,801,918	Contracted Amount
Total	Storage of 13,977.42 square metres and 1,034 car parking spaces	RMB116,400,617	

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

Notes (Property No. 5.(b)):

5. Pursuant to "State-owned Land-use Rights Grant Contract" (Document No.: Tai'an –01–2019–0002), the granted land-use rights of this portion of the property with a site area of about 97,200.00 square metres was to be granted to "Minmetals Land (Taian) Development Co., Ltd." for residential use having the maximum plot ratio of 2.8 times with construction work to be commenced on or before 1st September 2019 and to be completed by 31st August 2022.

6. Pursuant to "State-owned Land-use Certificate" (Document No.: Lu (2019) Tai'an Bu Dong Chan Quan No. 0002984), the land-use rights of this portion of the property is vested in the name of "Minmetals Land (Taian) Development Co., Ltd.".

7. Pursuant to "Construction Land-use Planning Permit" (Document No.: Di Zhi No. 0900201900031), the land-use of this portion of the property complies with urban and rural planning requirements.

8. Pursuant to "Construction Work Planning Permits" (Document Nos.: Jian Zi No. 0900201900138, Jian Zi No. 0900201900133, Jian Zi No. 0900201900135, Jian Zi No. 0900201900134, Jian Zi No. 0900201900136 and Jian Zi No. 0900201900137), the construction work of this portion of the property complies with urban and rural planning requirements.

9. Pursuant to "Construction Work Commencement Permits" (Document Nos.: 370999201904230101 and 370999201911010101), part of the construction work of this portion of the property having an aggregate gross floor area of about 216,705.89 square metres complies with construction work commencement conditions and has been approved for construction.

10. Pursuant to "Commodity Housing Presale Permits" (Document Nos.: Tai Fang Yu (Xiao) Shou Zheng Gao Xin Qu No. 0008 Tai Fang Yu (Xiao) Shou Zheng Gao Xin Qu No. 0009, Tai Fang Yu (Xiao) Shou Zheng Gao Xin Qu No.00010, Tai Fang Yu (Xiao) Shou Zheng Gao Xin Qu No.00025, Tai Fang Yu (Xiao) Shou Zheng Gao Xin Qu No.00017, Tai Fang Yu (Xiao) Shou Zheng Gao Xin Qu No.00026, Tai Fang Yu (Xiao) Shou Zheng Gao Xin Qu No.00024 and Tai Fang Yu (Xiao) Shou Zheng Gao Xin Qu No.00020), part of this portion of the property with an aggregate gross floor area of 116,748.96 square metres is permitted to presale.

11. As advised by Minmetals Land Hunan Group, the budget construction cost and construction work done of this portion of the property as of the Date of Valuation are RMB1,302,350,000 and RMB263,763,530 respectively which have been duly considered in our valuation(s) shown above to reflect the quality and existing state of this portion of the property.

12. As advised by Minmetals Land Hunan Group, part of this portion of the property having an aggregate gross floor area of about 97,825.27 square metres of residential use and 593.91 square metres of storage use were presold at an aggregate consideration of RMB829,334,496 and RMB1,484,775 as of the Date of Valuation; and the aforesaid consideration has been duly reflected in our valuation(s) shown above.

13. The gross development value of this portion of the property, as intended to mean "the market value of the property assuming the proposed development has been newly completed as at the Date of Valuation pursuant to the prevailing development control parameters under the relevant regulatory frameworks as well as the latest hypothetical development proposal made available to us", is assessed at RMB2,321,178,481 (RENMINBI TWO BILLION THREE HUNDRED TWENTY ONE MILLION ONE HUNDRED SEVENTY EIGHT THOUSAND FOUR HUNDRED EIGHTY ONE ONLY) as at the Date of Valuation which includes the presale contract sum as stated in Note 12. above.

Notes (Property No. 5.(a) and Property No. 5.(b)):

14. After completion of the Capital Injection, "Minmetal Land (Taian) Development Co., Ltd." will become an indirect non-wholly owned subsidiary of the Company.

15. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Mr Jeff M. C. LIU** *BSc(Hons)* under the direct supervision of **Sr Franky C. H. WONG** *MSc(RealEst) MCIM FIPA FRICS MHKIS RPS(GP) China Registered Real Estate Appraiser RICS Registered Valuer* on 8th January 2020.

16. As advised by "Minmetals Land (Taian) Development Co., Ltd.", "Minmetals Land (Taian) Development Co., Ltd." has no material contingent liabilities.

17. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

    1. "Minmetals Land (Taian) Development Co., Ltd." has obtained the "State-owned Land-use Certificate" of the property.

    2. As confirmed by "Minmetals Land (Taian) Development Co., Ltd." and according to appropriate verification conducted by the PRC Legal Adviser, "Minmetals Land (Taian) Development Co., Ltd." has proprietary rights and disposal rights over land-use rights and building ownership of the property, and is not subject to pledges.

    3. In respect of the planned spaces or carports for parking of vehicles vested in the name of "Minmetals Land (Taian) Development Co., Ltd.", such spaces or carports could be leased or transferred with its use rights to owners of the development.

    4. In respect of the planned underground storage vested in the name of "Minmetals Land (Taian) Development Co., Ltd.", such storages could be leased to owners of the development.

    5. "Minmetals Land (Taian) Development Co., Ltd.", being the plaintiff, is subject to an on-going lawsuit in relation to disputes over recovery rights with the litigation amount of RMB148,994.11, and there is no un-settled arbitration case; while "Minmetals Land (Taian) Development Co., Ltd.", being the defendant, is subject to two on-going lawsuits in relation to disputes over financing loan contracts with the total litigation amount of RMB1,709,885.12, and there is no un-settled arbitration case.

PROPERTY VALUATION REPORT

Property held by Minmetals Land Hunan Group for Development purpose

No.	Property		Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
6.	(a)	Various Unsold Portion(s), "Taian Scenery Centre", Zhangchen Road, Gaoxin District, Tai'an, Shandong Province, the PRC	Property No. 6.(a) Completed in 2017, this portion of the property comprises various unsold portion(s) in a commercial development named "Taian Scenery Centre". This portion of the property has an aggregate gross floor area of about 1,454.81 square metres.	As inspected, the unsold portion of the property was vacant for sale; while the under the construction portion was in its progress of development.	Property No. 6.(a) RMB15,000,000 (RENMINBI FIFTEEN MILLION ONLY) (100% interest attributable to Minmetals Land Hunan: RMB15,000,000 (RENMINBI FIFTEEN MILLION ONLY))
	(b)	Construction in Progress at Site A13, "Taian Scenery Centre", Zhangchen Road, Gaoxin District, Tai'an City, Shandong Province, the PRC	Property No. 6.(b) This portion of the property is being developed into a low-rise commercial development. This portion of the property has a site area of part of about 35,244.00 square metres and a planned gross floor area of about 137,787.46 square metres. Property No. 6.(a) and Property No. 6.(b) The property is held under granted land-use rights with a term to be expired on 30th July 2054 for commercial use.		Property No. 6.(b) RMB133,000,000 (RENMINBI ONE HUNDRED THIRTY THREE MILLION ONLY) (100% interest attributable to Minmetals Land Hunan: RMB133,000,000 (RENMINBI ONE HUNDRED THIRTY THREE MILLION ONLY))

Notes:

1. Pursuant to "State-owned Land-use Rights Grant Contract" (Document No.: Tai'an –01–2014–0106), the granted land-use rights of the land parcels with a site area of about 50,692.00 square metres (including the property) was to be granted to "Taian Runling Property Development Co., Ltd." for commercial service use having a maximum plot ratio of 3 times with construction work to be commenced on or before 1st July 2015 and to be completed by 30th June 2018.

2. Pursuant to "State-owned Land-use Certificate" (Document No.: Tai Tu Guo Yong (2014) Di K-0084), the land-use rights of the property is vested in the name of "Taian Runling Property Development Co., Ltd.".

3. Pursuant to "Construction Land-use Planning Permit" (Document No.: Di Zi No. 37 0900201600003), the land-use of the property complies with urban and rural planning requirements.

4. Pursuant to "Construction Work Completion Registration", part of the construction work of the property (Note: Property No. 6.(a) only) was certified for completion in 2017.

5. Pursuant to "Construction Work Planning Permits" (Document Nos.: Jian Zi Nos. 0900201900385 and 0900201900416), part of the construction work of the property (Note: Property No. 6.(b) only) having a total gross floor area of about 38,033.69 square metres complies with urban and rural planning requirements.

6. Pursuant to "Construction Work Commencement Permit" (Document No.: 370999201911260101), part of the construction work of the property (Note: Property No. 6.(b) only) having an aggregate gross floor area of about 38,033.69 square metres complies with construction work commencement conditions and has been approved for construction.

7. As advised by Minmetals Land Hunan Group, the budget construction cost and construction work done of the property (Note: Property No. 6.(b) only) as of the Date of Valuation are RMB1,235,312,005 and RMB43,368,338 respectively which have been duly considered in our valuation(s) shown above to reflect the quality and existing state of this portion of the property.

8. As requested by Company, the notional breakdown market values of the property (Note: Property No. 6.(b) only) as at the Date of Valuation is listed as follows.

Portion	Planned Gross Floor Area	Market Value	Remarks
Investment Portion	36,212.91 square metres	RMB53,000,000	Nil
Other Portion	101,574.55 square metres	RMB80,000,000	Nil
Total	137,787.46 square metres	RMB133,000,000	Nil

9. After completion of the Capital Injection, "Taian Runling Property Development Co., Ltd." will become an indirect non-wholly owned subsidiary of the Company.

10. As advised by Minmetals Land Hunan Group, the building covenants of the property had been lapsed; and "Taian Runling Property Development Co., Ltd." is in the process of applying extension of the building covenants without paying material consideration according to "State-owned Land-use Rights Grant Contract" in Note 1. above. We have been further advised by Minmetals Land Hunan Group that there is no expected timeline on obtaining extension approval from the "Branch of Developing District of Bureau of Taian City Natural Resource and Planning" ("泰安市自然資源和規劃局開發區分局"). Accordingly no allowance has been made for the aforesaid in the course of our valuation(s).

11. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Mr Jeff M. C. LIU** *BSc(Hons)* under the direct supervision of **Sr Franky C. H. WONG** *MSc(RealEst) MCIM FIPA FRICS MHKIS RPS(GP) China Registered Real Estate Appraiser RICS Registered Valuer* on 8th January 2020.

12. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

    1. "Taian Runling Property Development Co., Ltd." has obtained the "State-owned Land-use Certificate" of the property.

    2. As confirmed by "Taian Runling Property Development Co., Ltd." and according to appropriate verification conducted by the PRC Legal Adviser, "Taian Runling Property Development Co., Ltd." has proprietary rights and disposal rights over land-use rights and building ownership of the property, and is not subject to pledges.

    3. In respect of the planned spaces or carports for parking of vehicles vested in the name of "Taian Runling Property Development Co., Ltd.", such spaces or carports could be leased or transferred with its use rights to owners of the development.

    4. "Taian Runling Property Development Co., Ltd." has planned to apply for delay in construction, and the development shall not be regarded as idle land by relevant land bureau nor be liable for contravention under "State-owned Land-use Rights Grant Contract". Otherwise "Taian Runling Property Development Co., Ltd." will be subject to daily penalty equivalent to 1‰ of the land-use rights grant premium.

PROPERTY VALUATION REPORT

Property held by Minmetals Land Hunan Group for Development purpose

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation

No.: 7.

Property:

(a) Various Unsold Portion(s) and Contracted to be Sold Portion(s), "Xiangtan Scenery Cove", Xiang Tan, Hunan Province, the PRC

(b) Construction in Progress, "Xiangtan Scenery Cove", Xiang Tan, Hunan Province, the PRC

(c) Future Development, "Xiangtan Scenery Cove", Xiang Tan, Hunan Province, the PRC

Description and Tenure:

Property No. 7.(a)

Completed in 2014, this portion of the property comprises various unsold portion(s) and various contracted to be sold portion(s) in a large-scale residential apartment and commercial mixed-use development named "Xiangtan Scenery Cove".

The unsold portion(s) of this portion of the property has an aggregate gross floor area of about 6,821.90 square metres with breakdown as follows.

Use	Gross Floor Area
Residential	1,197.00 square metres
Commercial Centre*	1,381.10 square metres
Kindergarten	3,667.55 square metres
Commercial	576.25 square metres
Total	6,821.90 square metres

(Note: The Commercial Centre of this portion of the property is being occupied as sales office of the property.)*

The unsold portion(s) of this portion of the property also comprises 249 car parking spaces on basement which have no full legal rights but the rights to use and lease.

The contracted to be sold portion(s) of this portion of the property has an aggregate gross floor area of about 5,302.96 square metres; and 924 car parking spaces on basement which have no full legal rights but the rights to use and lease.

This portion of the property is held under granted land-use rights for the terms to be expired on 30th March 2082 for residential use and 30th March 2052 for commercial services uses.

Property No. 7.(b)

To be completed in 2021, this portion of the property will be developed into a large-scale residential estate comprising various medium and high-rise residential buildings, low-rise houses and commercial mixed use development with basement carpark underneath.

This portion of the property has a site area of about 100,605.11 square metres and a total planned gross floor area of about 268,620.61 square metres with breakdown as follows.

Use	Gross Floor Area
Residential	207,639.59 square metres
Commercial	14,589.27 square metres
Ancillary Facilities	4,089.69 square metres
Underground Facilities#	42,302.06 square metres
Total	268,620.61 square metres

(# Note: The Underground Facilities of this portion of the property will provide 1,272 car parking spaces on basement upon completion which will have no full legal rights but the rights to use and lease.)

This portion of the property is held under granted land-use rights for a term to be expired on 4th June 2086 for residential use.

Occupancy Status:

As inspected and pursuant to the information provided by Minmetals Land Hunan Group, the kindergarten of the property were tenanted with an aggregate annual rent of about RMB400,000 as at the Date of Valuation with the expiry date on 31st August 2035; the unsold portion(s) of the property were left vacant; the contracted to be sold portion(s) of the property were handing over to the purchaser(s); Property No. 7.(b) was in its construction progress; and Property No. 7.(c) was pending for development.

Market Value in Existing State as at the Date of Valuation:

Property No. 7.(a) — *Unsold Portion*

RMB34,400,000 (RENMINBI THIRTY FOUR MILLION FOUR HUNDRED THOUSAND ONLY)

(100% interest attributable to Minmetals Land Hunan: RMB34,400,000 (RENMINBI THIRTY FOUR MILLION FOUR HUNDRED THOUSAND ONLY))

Property No. 7.(a) — *Contracted to be Sold — Revenue not yet Recognized*

RMB22,780,830 (RENMINBI TWENTY TWO MILLION SEVEN HUNDRED EIGHTY THOUSAND EIGHT HUNDRED THIRTY ONLY)

(100% interest attributable to Minmetals Land Hunan:

RMB22,780,830 (RENMINBI TWENTY TWO MILLION SEVEN HUNDRED EIGHTY THOUSAND EIGHT HUNDRED THIRTY ONLY))

Property No. 7.(a) — *Contracted to be Sold — Revenue Recognized*

RMB30,274,492 (RENMINBI THIRTY MILLION TWO HUNDRED SEVENTY FOUR THOUSAND FOUR HUNDRED NINETY TWO ONLY)

(100% interest attributable to Minmetals Land Hunan: RMB30,274,492 (RENMINBI THIRTY MILLION TWO HUNDRED SEVENTY FOUR THOUSAND FOUR HUNDRED NINETY TWO ONLY))

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
		Property No. 7.(c) This portion of the property has a site area of about 80,935.30 square metres and intended to be developed into a commercial complex with an intended gross floor area of about 202,338.25 square metres. A commercial centre with gross floor area of about 1,381.10 square metres was completed *(see Note 19. below)* and occupied as sales office whilst the remainder of this portion of the property is pending for development. This portion of the property is held under granted land-use rights with the terms to be expired on 30th March 2052 for wholesale retail uses.		*(Note: Please also refer to Notes 4. and 5. below for further details.)* Property No. 7.(b) RMB1,025,000,000 (RENMINBI ONE BILLION TWENTY FIVE MILLION ONLY) (100% interest attributable to Minmetals Land Hunan: RMB1,025,000,000 (RENMINBI ONE BILLION TWENTY FIVE MILLION ONLY) *(Note: Please also refer to Notes 13. and 14. below for further details.)* Property No. 7.(c) RMB241,000,000 (RENMINBI TWO HUNDRED FORTY ONE MILLION ONLY) (100% interest attributable to Minmetals Land Hunan: RMB241,000,000 (RENMINBI TWO HUNDRED FORTY ONE MILLION ONLY)

Notes (Property No. 7.(a)):

1. Pursuant to "State-owned Land-use Certificates" (Document Nos.: Tan Jiu Guo Yung (2014) No. A02103 and Tan Jiu Guo Yung (2014) No. A02104), the land-use rights of this portion of the property is vested in the name of "Minmetals Land (Xiangtan) Development Co., Ltd.".

2. Pursuant to "Construction Work Completion Registration", the construction work of this portion of the property was certified for completion in 2014.

3. Pursuant to "Real Estate Ownership Certificate" (Document No.: Tan Fang Quan Zheng No. 2015024853, the unsold Kindergarten of this portion of the property having a gross floor area of about 3,667.55 square metres is vested in the name of "Minmetals Land (Xiangtan) Development Co., Ltd." for education purpose.

4. The market value of this portion of the property shown above is comprised of the assessment(s) from the unsold portion(s) with full legal rights and the contracted amount of the contracted to be sold portion(s) with full legal rights as follows.

Portion	Gross Floor Area	Market Value/Amount	Remarks
Unsold Portion	6,821.90 square metres	RMB34,400,000	Market Value
Contracted to be Sold — Revenue not yet Recognized	2,429.03 square metres	RMB22,780,830	Contracted Amount
Contracted to be Sold — Revenue Recognized	2,873.93 square metres	RMB30,274,492	Contracted Amount
Total	12,124.86 square metres	RMB87,455,322	

5. We have been advised by Minmetals Land Hunan Group that this portion of the property also accommodates car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 249 car parking spaces on basement of this portion of the property were left vacant for sale with its/their rights to use and lease; while an aggregate of 924 car parking spaces on basement of this portion of the property were contracted to be sold with its/their rights to and lease use as at the Date of Valuation. For reference purpose, we have been requested by the Company to assess and report the capital value(s) and contracted amount(s) of the aforesaid car parking spaces on basement with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value/ Amount	Remarks
Unsold Portion*	249 car parking spaces	RMB17,430,000	Investment Value
Contracted to be Sold — Revenue not yet Recognized	1 car parking space	RMB72,000	Contracted Amount
Contracted to be Sold — Revenue Recognized	923 car parking spaces	RMB67,337,000	Contracted Amount
Total	1,173 car parking spaces	RMB84,839,000	

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

Notes (Property No. 7.(b)):

6. Pursuant to "State-owned Land-use Rights Grant Contract" (Document No.: XC(1)006581), the granted land-use rights of this portion of the property was to be granted to "Minmetals Land (Xiangtan) Development Co., Ltd." for commercial and residential uses having the plot ratio of not more than 2.10 times and not less than 1.30 times (including ancillary commercial gross floor area of not more than 13,811 square metres) with construction work to be commenced by 5th June 2017 and to be completed by 5th December 2019.

7. Pursuant to "Real Estate Title Certificate" (Document No.: Xiang (2017) Xiang Tan Shi Real Estate Title No. 0004570), the land-use rights of this portion of the property is vested in the name of "Minmetals Land (Xiangtan) Development Co., Ltd.".

8. Pursuant to "Construction Land-use Planning Permit" (Document No.: Jian Gui (Di) Zi No. 430302201700003), the land-use of this portion of the property complies with urban and rural planning requirements.

9 Pursuant to "Construction Work Planning Permits" (Document Nos.: Jian Gui Jian Fu Zi Nos. 430302201800063, 430304201800083, 430302201900011–2, 430302201900011–3 and 430302201900011), part of the construction work of the property having an aggregate gross floor area of about 296,067.18 square metres complies with urban and rural planning requirements.

10. Pursuant to "Construction Work Commencement Permits" (Document Nos.: 430303201810250101, 430303201808230101, 430303201906170201 and 430303201911290101), part of the construction work of this portion of the property having an aggregate gross floor area of about 268,522 square metres complies with construction work commencement conditions and has been approved for construction.

11. Pursuant to "Commodity Housing Presale Permits" (Document Nos.: Tan Zhu Jian Yu Xu Zi (2018) No. 66, Tan Zhu Jian Yu Xu Zi (2018) No. 80, Tan Zhu Jian Yu Xu Zi (2018) No. 92, Tan Zhu Jian Yu Xu Zi (2018) No. 99, Tan Zhu Jian Yu Xu Zi (2018) No. 105, Tan Zhu Jian Yu Xu Zi (2019) Nos. 17, 97 and 65 and Tan Zhu Jian Yu Xu Zi (2020) No. 34), an aggregate gross floor area of 191,458.86 square metres of part of this portion of the property is permitted to presale.

12. As advised by Minmetals Land Hunan Group, the budget construction cost and construction work done of this portion of the property as of the Date of Valuation are RMB965,823,855 and RMB335,368,284 respectively which have been duly considered in our valuation(s) shown above to reflect the quality and existing state of this portion of the property.

13. As advised by Minmetals Land Hunan Group, part of this portion of the property having an aggregate gross floor area of about 126,301.10 square metres of residential use and 179 car parking spaces of the property were presold at an aggregate consideration of RMB779,690,556 and RMB12,577,000 respectively as of the Date of Valuation; and the aforesaid consideration has been duly reflected in our valuation(s) shown above.

14. The gross development value of this portion of the property, as intended to mean "the market value of the property assuming the proposed development has been newly completed as at the Date of Valuation pursuant to the prevailing development control parameters under the relevant regulatory frameworks as well as the latest hypothetical development proposal made available to us", is assessed at RMB1,505,728,026 (RENMINBI ONE BILLION FIVE HUNDRED FIVE MILLION SEVEN HUNDRED TWENTY EIGHT THOUSAND TWENTY SIX ONLY) as at the Date of Valuation which includes the presale contract sum as stated in Note 13. above.

15. As advised by Minmetals Land Hunan Group, the building covenants of the property had been lapsed; and "Minmetals Land (Xiangtan) Development Co., Ltd." is in the process of applying extension of the building covenants without paying material consideration according to State-owned Land-use Rights Grant Contract in Note 6. above. Accordingly no allowance has been made for the aforesaid in the course of our valuation(s).

Notes (Property No. 7.(c)):

16. Pursuant to "State-owned Land-use Rights Grant Contract" (Document Nos.: XC(1)GTJH2011041 and XC(1)GTJH2011039), the granted land-use rights of this portion of the property was to be granted to "Hunan Jiasheng Property Development Co., Ltd." ("湖南嘉盛房地產開發有限責任公司") for commercial and residential uses having the plot ratio of not more than 3.00 times and not less than 2.00 times with construction work to be commenced by 30th June 2012 and to be completed by 30th June 2015.

17. Pursuant to the "Registration of Domestic-Funded Enterprise", "Hunan Jiasheng Property Development Co., Ltd." has been renamed to "Minmetals Land (Xiangtan) Development Co., Ltd.".

18. Pursuant to "Real Estate Title Certificate" (Document No.: Xiang (2016) Xiang Tan Shi Real Estate Title No. 003740), the land-use rights of this portion of the property is vested in the name of "Minmetals Land (Xiangtan) Development Co., Ltd." for wholesale and retail purpose.

19. Pursuant to "Construction Work Completion Registration", the construction work of the commercial centre of this portion of the property was certified for completion in 2014.

20. As advised by Minmetals Land Hunan Group, the building covenants of the property had been lapsed; and "Minmetals Land (Xiangtan) Development Co., Ltd." is in the process of applying extension of the building covenants without paying material consideration according to State-owned Land-use Rights Grant Contract in Note 16. above. Accordingly no allowance has been made for the aforesaid in the course of our valuation(s).

Notes (Property No. 7.(a), Property No. 7.(b) and Property No. 7.(c)):

21. After completion of the Capital Injection, "Minmetals Land (Xiangtan) Development Co., Ltd." will become an indirect non-wholly owned subsidiary of the Company.

22. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Sr Eric W. L. TANG** *BSc MRICS RICS Registered Valuer* on 2nd September 2019.

23. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

    1. "Minmetals Land (Xiangtan) Development Co., Ltd." has obtained the "State-owned Land-use Certificate"/"Real Estate Title Certificate" of the property.

    2. As confirmed by "Minmetals Land (Xiangtan) Development Co., Ltd." and according to appropriate verification conducted by the PRC Legal Adviser, "Minmetals Land (Xiangtan) Development Co., Ltd." has proprietary rights and disposal rights over land-use rights and building ownership of the property, and is not subject to pledges.

    3. In respect of the planned spaces or carports for parking of vehicles vested in the name of "Minmetals Land (Xiangtan) Development Co., Ltd.", such spaces or carports could be leased or transferred with its use rights to owners of the development.

    4. "Minmetals Land (Xiangtan) Development Co., Ltd." plans to apply for and to obtain approval for delay in construction in July 2020, and the development was not regarded as idle land by relevant land bureau nor be liable for contravention under "State-owned Land-use Rights Grant Contract". Otherwise "Minmetals Land (Xiangtan) Development Co., Ltd." shall be subject to daily penalty equivalent to 0.5‰ to 1‰ of the land-use rights grant premium.

PROPERTY VALUATION REPORT

Property held by Minmetals Land Hunan Group for Investment purpose

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
8.	An aggregate of 193 Unsold Car Parking Spaces, "Jiasheng International Square", Tian Xin District, Changsha, Hunan Province, the PRC	Completed in 2011, the property comprises 193 unsold car parking spaces on basement which have no full legal rights but the rights to use and lease in an office and commercial development named "Jiasheng International Square". The property is held under granted land-use rights with the terms to be expired on 15th July 2047 for commercial use and 15th July 2077 for residential use.	As inspected, the property was occupied as a fee-paying carpark.	NO COMMERCIAL VALUE (100% interest attributable to Minmetals Land Hunan: NO COMMERCIAL VALUE) *(Note: Please also refer to Note 4. below for further details.)*

Notes:

1. Pursuant to "State-owned Land-use Certificate" (Document No.: Chang Guo Yong (2013) No. 048018), the land-use rights of the property is vested in the name of "Hunan Jiasheng Property Development Co., Ltd." ("湖南嘉盛房地產開發有限責任公司").

2. Pursuant to the "Registration of Domestic-Funded Enterprise", "Hunan Jiasheng Property Development Co., Ltd." has been renamed to "Minmetals Land Hunan Development Co., Ltd.".

3. Pursuant to "Construction Work Completion Registration", the construction work of this portion of the property was certified for completion in 2011.

4. We have been advised by Minmetals Land Hunan Group that the property accommodates 193 car parking spaces on basement which have no full legal rights but the rights to use and lease to use pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 193 car parking spaces on basement were left vacant for sale with its/their rights to use and lease. For reference purpose, we have been requested by the Company to assess the capital value(s) of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value	Remarks
Unsold Portion*	193 car parking spaces	RMB19,300,000	Investment Value

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

5. After completion of the Capital Injection, "Minmetals Land Hunan Development Co., Ltd." will become an indirect non-wholly owned subsidiary of the Company.

6. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Sr Eric W. L. TANG** *BSc MRICS RICS Registered Valuer* on 4th September 2019.

7. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

    1. In respect of the planned spaces or carports for parking of vehicles vested in the name of "Minmetals Land Hunan Development Co., Ltd.", such spaces or carports could be leased or transferred with its use rights to owners of the development.

PROPERTY VALUATION REPORT

Property held by Minmetals Land Hunan Group for Sale/Owner-occupied purpose

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
9.	Various Unsold Portion(s) and Contracted to be Sold Portion(s), "Minmetals Zuncheng Project", Xiang Tan, Hunan Province, the PRC	Completed in 2016, the property comprises various unsold portion(s) and contracted to be sold portion(s) in a medium-scale residential, office and commercial mixed-use development named "Minmetals Zuncheng Project". The unsold portion(s) of the property has an aggregate gross floor area of about 1,460.04 square metres with breakdown as follows. **Use** / **Gross Floor Area** Residential: 383.43 square metres Office (Residential): 863.49 square metres Commercial: 213.12 square metres Total: 1,460.04 square metres The unsold portion(s) of the property also comprises 19 car parking spaces on basement and 20 miscellaneous garages which have no full legal rights but the rights to use and lease. The contracted to be sold portion(s) of the property has an aggregate gross floor area of about 284.42 square metres. The property is held under granted land-use rights with the terms to be expired on 5th March 2078 for residential use and 5th March 2058 for urban mixed housing use.	As inspected, the unsold portion(s) of the property were left vacant; the contracted to be sold portion(s) of the property were handing over to the purchaser(s); whilst the office portion was occupied by the owner.	Property No. 9 — *Unsold Portion(s)* RMB12,800,000 (RENMINBI TWELVE MILLION EIGHT HUNDRED THOUSAND ONLY) (100% interest attributable to Minmetals Land Hunan: RMB12,800,000 (RENMINBI TWELVE MILLION EIGHT HUNDRED THOUSAND ONLY)) Property No. 9 — *Contracted to be Sold — Revenue not yet Recognized* RMB1,208,590 (RENMINBI ONE MILLION TWO HUNDRED EIGHT THOUSAND FIVE HUNDRED NINETY ONLY) (100% interest attributable to Minmetals Land Hunan: RMB1,208,590 (RENMINBI ONE MILLION TWO HUNDRED EIGHT THOUSAND FIVE HUNDRED NINETY ONLY)) *(Note: Please also refer to Notes 5. and 6. below for further details.)*

Notes:

1. Pursuant to "State-owned land-use Certificate" (Document No.: Tan Jin Guo Yong (2010) No. A01032) the land-use rights of the property is vested in the name of "Xiangtan Jiasheng Property Development Co., Ltd." ("湘潭嘉盛房地產開發有限責任公司").

2. Pursuant to "Real Estate Title Certificates" (Document Nos.: Tan Fang Quan Zheng Zi No. 2016000806, Tan Fang Quan Zheng Zi No. 2016000811, Tan Fang Quan Zheng Zi No. 2016000812, Tan Fang Quan Zheng Zi No. 2016000817, Tan Fang Quan Zheng Zi No. 2016000820, Tan Fang Quan Zheng Zi No. 2016000824, Tan Fang Quan Zheng Zi No. 2016000828, Tan Fang Quan Zheng Zi No. 2016000830, Tan Fang Quan Zheng Zi No. 2016000832, Tan Fang Quan Zheng Zi No. 2016000833, Tan Fang Quan Zheng Zi No. 2016000834, Tan Fang Quan Zheng Zi No. 2016000836, Tan Fang Quan Zheng Zi No. 2016000837, Tan Fang Quan Zheng Zi No. 2016000841, Tan Fang Quan Zheng Zi No. 2016000843, Tan Fang Quan Zheng Zi No. 2016000844 and Tan Fang Quan Zheng Zi No. 2016000846), the unsold portion of the property having an aggregate gross floor area of about 863.49 square metres is vested in the name of "Xiangtan Jiasheng Property Development Co., Ltd.".

3. Pursuant to the "Registration of Domestic-Funded Enterprise", "Xiangtan Jiasheng Property Development Co., Ltd." has been renamed to "Minmetals Land (Xiangtan) Development Co., Ltd.".

4. Pursuant to "Construction Work Completion Registration", the construction work of the property was certified for completion in 2016.

5. The market value of the property shown above is comprised of the assessment(s) from the unsold portion(s) with full legal rights and the contracted amount of the contracted to be sold portion(s) with full legal rights as follows.

Portion	Gross Floor Area	Market Value/Amount	Remarks
Unsold Portion	1,460.04 square metres	RMB12,800,000	Market Value
Contracted to be Sold — Revenue not yet Recognized	284.42 square metres	RMB1,208,590	Contracted Amount
Total	1,744.46 square metres	RMB14,008,590	

6. We have been advised by Minmetals Land Hunan Group that the property also accommodates 19 car parking spaces and 20 miscellaneous garages on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 19 car parking spaces on basement and 20 miscellaneous garages on basement of the property were left vacant for sale with its/their rights to use and lease. For reference purpose, we have been requested by the Company to assess and report the capital value(s) of the aforesaid car parking spaces on basement and miscellaneous garages of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value/Amount	Remarks
Unsold Car Parking Space*	19 car parking spaces	RMB950,000	Investment Value
Unsold Miscellaneous Garage*	20 car parking spaces	RMB160,000	Investment Value
Total	39 car parking spaces	RMB1,110,000	

* *We must stress that the capital value(s) of the aforesaid portion(s) of the property shown above is/are NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is/are solely assessed for the Company's internal management reference only.*

7. After completion of the Capital Injection, "Minmetals Land (Xiangtan) Development Co., Ltd." will become an indirectly non-wholly owned subsidiary of the Company.

8. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Sr Eric W. L. TANG** *BSc MRICS RICS Registered Valuer* on 2nd September 2019.

9. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

    1. "Xiangtan Jiasheng Property Development Co., Ltd." has obtained "State-owned Land-use Certificate" of the property.

    2. As confirmed by "Minmetals Land (Xiangtan) Development Co., Ltd." and according to appropriate verification conducted by the PRC Legal Adviser, "Minmetals Land (Xiangtan) Development Co., Ltd." has proprietary rights and disposal rights over land-use rights and building ownership of the property, and is not subject to pledges.

    3. In respect of the planned spaces or carports for parking of vehicles vested in the name of "Minmetals Land (Xiangtan) Development Co., Ltd.", such spaces or carports could be leased or transferred with its rights to owner of the development.

PROPERTY VALUATION REPORT

Property held by Minmetals Land Hunan Group for Investment purpose

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
10.	Unsold Car Parking Space(s), Unsold Commercial Portion(s) and Transition Floor, "Jiasheng Aomei City", Tian Xin District, Changsha, Hunan Province, the PRC	Completed in 2014, the property comprises the unsold car parking spaces, unsold commercial portion(s) and the transition floor in a residential and commercial-mixed use development named "Jiasheng Aomei City". The unsold portion(s) of the property has an aggregate gross floor area of about 2,580.49 square metres with breakdown as follows. **Use** / **Gross Floor Area** Commercial: 1,791.78 square metres Transition Floor: 789.49 square metres Total: 2,581.27 square metres The unsold portion(s) of the property also comprises 57 car parking spaces on basement which have no full legal rights but the rights to use and lease. The property is held under granted land-use rights for commercial use to be expired on 20th August 2052.	As inspected, pursuant to the information provided by Minmetals Land Hunan Group, the unsold commercial portion(s) of the property were tenanted with an aggregate monthly rent of about RMB180,604 as at the Date of Valuation with the last expiry date on 30th November 2022; while the Transition Floor was left vacant.	RMB31,100,000 (RENMINBI THIRTY ONE MILLION ONE HUNDRED THOUSAND ONLY) (100% interest attributable to Minmetals Land Hunan: RMB31,100,000 (RENMINBI THIRTY ONE MILLION ONE HUNDRED THOUSAND ONLY) *(Note: Please also refer to Notes 2. and 3. below for further details.)*

Notes:

1. Pursuant to "Real Estate Title Certificates" (Document Nos.: Chang Fang Quan Zheng Tian Xin Zi Nos. 714054580 and 14054581), the property is vested in the name of "Minmetals Land Hunan Development Co., Ltd.".

2. As requested by Company, the breakdown market values of the property as at the Date of Valuation is listed as follows:

Portion	Gross Floor Area	Market Value	Remarks
Investment Portion (Commercial)	1,791.78 square metres	RMB31,100,000	Nil
Investment Portion (Transition Floor)	789.49 square metres	Nil	No Commercial Value
Total	2,581.27 square metres	RMB31,100,000	Nil

3. We have been advised by Minmetals Land Hunan Group that the property also accommodates 57 car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 57 car parking spaces on basement of the property were left vacant for sale with its/their rights to use and lease. For reference purpose, we have been requested by the Company to assess the capital value(s) of the aforesaid car parking spaces on basement of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value	Remarks
Unsold Portion*	57 car parking spaces	RMB3,990,000	Investment Value

* *We must stress that the capital value of the aforesaid portion of the property shown above is NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is solely assessed for the Company's internal management reference only.*

4. After completion of the Capital Injection, "Minmetals Land Hunan Development Co., Ltd." will become an indirect non-wholly owned subsidiary of the Company.

5. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Sr Eric W. L. TANG** *BSc MRICS RICS Registered Valuer* on 14th January 2020.

6. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

    1. "Minmetals Land Hunan Development Co., Ltd." has obtained the "State-owned Land-use Certificate" of the property.

    2. As confirmed by "Minmetals Land Hunan Development Co., Ltd." and according to appropriate verification conducted by the PRC Legal Adviser, "Minmetals Land Hunan Development Co., Ltd." has proprietary rights and disposal rights over land-use rights and building ownership of the property, and is not subject to pledges.

    3. In respect of the planned spaces or carports for parking of vehicles vested in the name of "Minmetals Land Hunan Development Co., Ltd.", such spaces or carports could be leased or transferred with its use rights to owners of the development.

PROPERTY VALUATION REPORT

Property held by Minmetals Land Hunan Group for Investment purpose

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
11.	An aggregate of 112 Unsold Car Parking Spaces and Unsold Kindergarten, "Jiasheng Huating" Phase II and III, Yu Hua District, Changsha, Hunan Province, the PRC	Completed in 2010, the property comprises a kindergarten and 112 unsold car parking spaces on basement in Phase II and Phase III of a large-scale residential and commercial mixed-use development named "Jiasheng Huating". The kindergarten of the property has an aggregate gross floor area of about 451.77 square metres with breakdown as follows. **Use** / **Gross Floor Area** Block 2 101 (Educational) 224.35 square metres Block 2 102 (Educational) 52.06 square metres Block 2 103 (Educational) 62.28 square metres Block 2 104 (Educational) 113.08 square metres Total 451.77 square metres The property also comprises 112 car parking spaces on basement which have no full legal rights but the rights to use and lease. The property is held under granted land-use rights for residential use to be expired on 31st December 2076.	As inspected, pursuant to the information provided by Minmetals Land Hunan Group, the kindergarten was tenanted at a monthly rent of about RMB8,117 only for the term from 1st October 2009 to 31st July 2022.	RMB2,740,000 (RENMINBI TWO MILLION SEVEN HUNDRED FORTY THOUSAND ONLY) (100% interest attributable to Minmetals Land Hunan: RMB2,740,000 (RENMINBI TWO MILLION SEVEN HUNDRED FORTY THOUSAND ONLY) *(Note: Please also refer to Notes 4. and 5. below for further details.)*

Notes:

1. Pursuant to "State-owned Land-use Rights Grant Contract" (Document No.: 2002133), the granted land-use rights of the property with aggregate site area of about 6,074.59 square metres was to be granted to "Hunan 23rd Metallurgical Property Development Co., Ltd." ("湖南二十三冶房地產開發有限公司") for comprehensive uses having the maximum plot ratios of 5.0 times with construction work to be commenced by 15th March 2002.

2. Pursuant to "Real Estate Title Certificates" (Document Nos.: Chang Fang Quan Zheng Yu Hua Zi Nos. 710103318, 710103319, 710103320 and 710103321), the property is vested in the name of "Hunan Jiasheng Property Development Co., Ltd." ("湖南嘉盛房地產開發有限責任公司").

3. Pursuant to the "Registration of Domestic-Funded Enterprise", "Hunan 23rd Metallurgical Property Development Co., Ltd." and "Hunan Jiasheng Property Development Co., Ltd." has been renamed to "Minmetals Land Hunan Development Co., Ltd.".

4. As requested by Company, the breakdown market values of the property as at the Date of Valuation is listed as follows:

Portion	Gross Floor Area	Market Value/Amount	Remarks
Investment Portion (Kindergarten)	451.77 square metres	RMB2,740,000	Nil
Total	451.77 square metres	RMB2,740,000	

5. We have been advised by Minmetals Land Hunan Group that the property also accommodates 112 car parking spaces on basement which have no full legal rights but the rights to use and lease pursuant to the prevailing rules in the PRC. According to the information provided by Minmetals Land Hunan Group, an aggregate of 112 car parking spaces on basement of the property were left vacant for sale with its/their rights to use and lease. For reference purpose, we have been requested by the Company to assess the capital value(s) of the aforesaid car parking spaces on basement of the property with its/their rights to use and lease as follows.

Portion	Number of Car Parking Space	Capital Value	Remarks
Unsold Portion*	112 car parking spaces	RMB6,720,000	Investment Value

* *We must stress that the capital value of the aforesaid portion of the property shown above is NOT assessed on a market value basis but an "investment value" basis which is defined as intended to mean "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives" pursuant to "International Valuation Standards" published by "International Valuation Standards Council"; and is solely assessed for the Company's internal management reference only.*

6. After completion of the Capital Injection, "Minmetals Land Hunan Development Co., Ltd." will become an indirect non-wholly owned subsidiary of the Company.

7. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by **Sr Eric W. L. TANG** *BSc MRICS RICS Registered Valuer* on 14th January 2020.

8. The PRC Legal Adviser has provided certain advice in their legal opinion, including but not limited to, that:

   1. "Minmetals Land Hunan Development Co., Ltd." has obtained the "State-owned Land-use Certificate" of the property.

   2. As confirmed by "Minmetals Land Hunan Development Co., Ltd." and according to appropriate verification conducted by the PRC Legal Adviser, "Minmetals Land Hunan Development Co., Ltd." has proprietary rights and disposal rights over land-use rights and building ownership of the property, and is not subject to pledges.

   3. In respect of the planned spaces or carports for parking of vehicles vested in the name of "Minmetals Land Hunan Development Co., Ltd.", such spaces or carports could be leased or transferred with its use rights to owners of the development.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

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 or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which (i) 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares *(Note)*
Mr. He Jianbo	Personal	2,040,000	0.06%
Mr. Yang Shangping	Personal	1,846,667	0.06%
Ms. He Xiaoli	Personal	783,333	0.02%

Note: The percentage was calculated based on a total of 3,346,908,037 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company held any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) 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 (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Mr. He Jianbo, Mr. Liu Bo, Mr. Chen Xingwu, Mr. Yang Shangping and Ms. He Xiaoli are employees of China Minmetals; and

(b) Ms. He Xiaoli is a director of China Minmetals H.K. (Holdings) Limited, a non-wholly owned subsidiary of China Minmetals.

4. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into, 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. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. He Jianbo, being the Chairman of the Board and an executive Director of the Company, is also a director of 五礦(營口)產業園發展有限公司 Minmetals (Yingkou) Industrial Park Real Estate Development Co., Ltd.* ("**Yingkou Industrial Park**", a non wholly-owned subsidiary of China Minmetals), the Vendor and 五礦地產控股有限公司 Minmetals Land Holdings Co., Ltd.* ("**Minmetals Land Holdings**", a non wholly-owned subsidiary of China Minmetals).

Mr. Liu Bo, being the Managing Director and an executive Director of the Company, is also a director of Minmetals Land Holdings.

Mr. Chen Xingwu, being a Deputy Managing Director and an executive Director of the Company, is also a director of the Vendor and Minmetals Land Holdings.

Mr. Yang Shangping, being a Deputy Managing Director and an executive Director of the Company, is also a director of Yingkou Industrial Park.

All of Yingkou Industrial Park, the Vendor and Minmetals Land Holdings are companies established under the laws of the PRC. Yingkou Industrial Park is engaged in the development of Minmetals (Yingkou) Industrial Park. The Vendor is engaged in real estate development and operation, construction, property management, real estate agency, real estate advertising and exhibition and other real estate related business. Minmetals Land Holdings is engaged in real estate development, construction contracting and sub-contracting, property management, surveying and designing of construction projects, project investment, provision of technical services, investment consultancy and corporate management consultancy.

Ms. Law Fan Chiu Fun, Fanny, being an independent non-executive Director of the Company, is also a director of China Resources (Holdings) Co., Ltd., the holding company of China Resources Land Limited which engages in real estate development operation in the PRC.

In the event that the Board decides that there are issues of conflict between the Group and the aforementioned companies, conflicting Directors will abstain from voting on the relevant resolutions.

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

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group. There was no contract or arrangement subsisting as at the Latest Practicable Date in which any of the Directors was materially interested and which was significant in relation to the business of the Enlarged Group. However, 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**"), a subsidiary of the Company, 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 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 management and operations of ODCL which is engaged in the Laguna Bay Project, a completed residential development project located in Jiangning District, Nanjing, PRC. As at the Latest Practicable Date, Mr. Tsui Ki Ting had a controlling interest in WODL which in turn owned 29% equity interest in ODCL, and the remaining 71% equity interest in ODCL was owned indirectly by the Company.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was 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 members of the Enlarged Group.

8. MATERIAL CONTRACTS

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

(a) a subscription agreement dated 10 September 2018 entered into between the Company, Expand Lead Limited (a wholly-owned subsidiary of the Company) as issuer, and BOCI Asia Limited, DBS Bank Ltd., Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, CLSA Limited, Industrial Bank Co., Ltd., Hong Kong Branch, Orient Securities (Hong Kong) Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and Silk Road International Capital Limited as joint lead managers, whereby the issuer agreed to issue, and each of the joint lead managers severally agreed to subscribe or procure subscribers to subscribe and pay for, the US$300,000,000 6.40% senior guaranteed bonds due 2021 issued by the issuer and guaranteed by the Company, in an aggregate principal amount of US$300,000,000. Further details of the issuance of the senior guaranteed bonds are set out in the announcements of the Company dated 6 September 2018, 10 September 2018 and 18 September 2018;

(b) a joint venture agreement dated 14 December 2018 entered into among 北京盛世廣業投資管理有限公司 (Beijing Shengshi Guangye Investment Management Co., Ltd.*) (now known as 五礦盛世廣業(北京)有限公司 (Minmetals Shengshi Guangye (Beijing) Co., Ltd.*), i.e. Minmetals Shengshi), 桐鄉市安豪投資管理有限公司 (Tongxiang City Anhao Investment Management Co., Ltd.*), the three other parties to the joint venture agreement, as joint venture parties, and 廣州安合房地產開發有限公司 (Guangzhou Anhe Real Estate Development Co., Ltd.*) ("**Guangzhou Anhe**") as the target company, in relation to the formation of a joint venture and the operation of the target company (i.e. Guangzhou Anhe), whereby Minmetals Shengshi shall contribute the total investment amount of RMB216,489,000, which comprises RMB5,000,000 to subscribe for 10% equity interest in Guangzhou Anhe and up to RMB211,489,000 as shareholder's loan to Guangzhou Anhe. Further details of the joint venture agreement are set out in the announcement of the Company dated 14 December 2018;

(c) a memorandum of intent dated 28 March 2019 (the "**Guangzhou Kuangmao Memorandum of Intent**") entered into among 北京盛世廣業投資管理有限公司 (Beijing Shengshi Guangye Investment Management Co., Ltd.*) (now known as 五礦盛世廣業(北京)有限公司 (Minmetals Shengshi Guangye (Beijing) Co., Ltd.*), i.e. Minmetals Shengshi), 寧波市鄞州協豐房產投資諮詢有限公司 (Ningbo Yinzhou Xiefeng Property Investment Consulting Co., Ltd.*) ("**Xiefeng**") as an investor and 廣州市礦茂房地產開發有限公司 (Guangzhou Kuangmao Property Development Co., Ltd.*) ("**Guangzhou Kuangmao**") as the target company, in relation to the possible formation of a joint venture and the operation of the target company (i.e. Guangzhou Kuangmao), whereby Minmetals Shengshi shall contribute an amount of approximately RMB1.24 billion if the transactions contemplated thereunder materialise. Further details of the Guangzhou Kuangmao Memorandum of Intent are set out in the announcement of the Company dated 28 March 2019;

(d) an agreement of intent dated 11 April 2019 (the "**Guangzhou Kuangrong Agreement of Intent**") entered into among 北京盛世廣業投資管理有限公司 (Beijing Shengshi Guangye Investment Management Co., Ltd.*) (now known as 五礦盛世廣業(北京)有限公司 (Minmetals Shengshi Guangye (Beijing) Co., Ltd.*), i.e. Minmetals Shengshi), 廣州招商房地產有限公司 (Guangzhou Merchants Property Development Limited*) ("**Guangzhou Merchants**") as an investor and 廣州礦榮房地產開發有限公司 (Guangzhou Kuangrong Property Development Co., Ltd.*) ("**Guangzhou Kuangrong**") as the target company, in relation to the possible formation of a joint venture and the operation of the target company (i.e. Guangzhou Kuangrong), whereby Minmetals Shengshi shall contribute an amount of approximately RMB588 million if the transactions contemplated thereunder materialise. Further details of the Guangzhou Kuangrong Agreement of Intent are set out in the announcement of the Company dated 11 April 2019;

(e) an earnest money agreement dated 11 April 2019 entered into by the Company, Guangzhou Merchants as an investor and Guangzhou Kuangrong as the target company in respect of, among other things, the payment of an earnest money by Guangzhou Merchants to Guangzhou Kuangrong in the amount of approximately RMB548.91 million in relation to the Guangzhou Kuangrong Agreement of Intent. Further details of the earnest money agreement are set out in the announcement of the Company dated 11 April 2019;

(f) a supplemental agreement to the financial services framework agreement dated 20 April 2018 (the "**2018 Agreement**") entered into between the Company and 五礦集團財務有限責任公司Minmetals Finance Co., Ltd.* ("**Minmetals Finance**") dated 28 March 2019 entered into between the Company and Minmetals Finance in relation to, among other things, the revision of the original annual caps for deposit transactions contemplated under the 2018 Agreement to RMB3,000 million and the provision of unsecured loan by Minmetals Finance to the Company for an amount of up to RMB3,000 million on comparable market terms. Further details of the supplemental agreement are set out in the announcement of the Company dated 28 March 2019 and the circular of the Company dated 23 April 2019;

(g) a capital injection agreement dated 8 January 2020 entered into among Minmetals Shengshi, Xiefeng as an investor and Guangzhou Kuangmao as the target company in relation to the admission of Xiefeng to contribute 49% of the registered capital and shareholder's loan of Guangzhou Kuangmao for a total sum of approximately RMB1,196 million as contemplated under the Guangzhou Kuangmao Memorandum of Intent. Further details of the capital injection agreement are set out in the announcement of the Company dated 8 January 2020 and the circular of the Company dated 22 January 2020 (the "**January Circular**");

(h) a capital injection agreement dated 8 January 2020 entered into among Minmetals Shengshi, Guangzhou Merchants as an investor and Guangzhou Kuangrong as the target company in relation to the admission of Guangzhou Merchants to contribute 49% of the registered capital and shareholder's loan of Guangzhou Kuangrong for a total sum of approximately RMB593 million as contemplated under the Guangzhou Kuangrong Agreement of Intent. Further details of the capital injection agreement are set out in the announcement of the Company dated 8 January 2020;

(i) an agreement of intent dated 2 March 2020 entered into among Minmetals Shengshi and 深圳市潤投諮詢有限公司 (Shenzhen Runtou Consulting Co., Ltd.*) ("**Shenzhen Runtou**") as an investor in relation to the admission of Shenzhen Runtou to contribute 49% of the registered capital and shareholders' loan of 深圳市礦潤房地產開發有限公司 (Shenzhen Kuangrun Property Development Co., Ltd.*) ("**Shenzhen Kuangrun**") as the target company for a total sum up to RMB1,259.3 million (the "**Possible Deemed Disposal**"). Further details of the agreement of intent are set out in the announcement of the Company dated 2 March 2020;

(j) a cooperation framework agreement dated 2 March 2020 entered into among Minmetals Shengshi, Shenzhen Runtou and Shenzhen Kuangrun setting out the detailed arrangements regarding Shenzhen Runtou's participation in Shenzhen Kuangrun should Shenzhen Runtou be identified as the successful tenderer to participate in the Possible Deemed Disposal. Further details of the cooperation framework agreement are set out in the announcement of the Company dated 2 March 2020;

(k) an equity transfer agreement dated 18 March 2020 entered into between Minmetals Land Hunan as seller and 泰安漢和置業有限公司 (Taian Hanhe Property Development Co., Ltd.*) as purchaser in relation to the acquisition of the entire equity interest of Minmetals Land Laiwu and the shareholders' loan for a total sum of approximately RMB84 million;

(l) an equity transfer agreement dated 1 June 2020 entered into between Minmetals Land Hunan and CITIC Trust Co., Ltd. (中信信託有限責任公司) ("**CITIC Trust**") in relation to the transfer of 51% equity interest of 五礦地產(西寧)開發有限公司 (Minmetals Land (Xining) Development Co., Ltd.*) ("**Minmetals Land Xining**"), such equity interest being held by CITIC Trust as security in relation to certain sum due by Minmetals Land Xining to CITIC Trust, to Minmetals Land Hunan for nil consideration upon repayment of the aforementioned sum;

(m) the Equity Transfer Agreement; and

(n) the Capital Injection Agreement.

9. MATERIAL ADVERSE CHANGE

Save as disclosed in the Company's profit warning announcements dated 18 June 2020 and 3 July 2020, respectively, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

10. EXPERTS

The following are the qualifications of the experts who have given an opinion or advice, which is contained in this circular:

Name	**Qualification**
Somerley	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Vigers	independent professional property valuers

As at the Latest Practicable Date, each of the experts above:

(a) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter, statements and references to its name in the form and context in which they are included. The letter, statements and recommendations therein given by each of the experts above are given as of the date of this circular for incorporation herein.

(b) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) did not have any interest, directly or indirectly, in any assets which had been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by, or leased to or were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

11. MISCELLANEOUS

(a) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, and the head office and the principal place of business in Hong Kong is at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

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

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

(d) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, during normal business hours on any weekday (except public holidays), up to and including 14 days from the date of this circular:

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

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

(c) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;

(d) the accountants' report of Tianjin Yijiahe, the text of which is set out in Appendix IIA to this circular;

(e) the accountants' report of Minmetals Land Hunan Group, the text of which is set out in Appendix IIB to this circular;

(f) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the valuation report of Tianjin Yijiahe and Minmetals Land Hunan Group, the text of which is set out in Appendix V to this circular;

(h) the material contracts as referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this appendix;

(i) the 2020 Framework Agreement;

(j) the written consents referred to in paragraph headed "10. EXPERTS" in this appendix;

(k) the annual reports of the Company for the three financial years ended 31 December 2017, 2018 and 2019;

(l) the January Circular;

(m) the circular of the Company dated 12 May 2020 in relation to the 2020 Framework Agreement; and

(n) this circular.

* *For identification purpose only*

五礦地產有限公司
MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Minmetals Land Limited (the "**Company**") will be held at Monet Room B, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 7 August 2020 at 10:30 a.m. (the "**Meeting**") for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "THAT:

(a) the Equity Transfer Agreement (as defined in the circular of the Company dated 21 July 2020 of which this notice forms part of (the "**Circular**"), a copy of the Equity Transfer Agreement which has been produced to this meeting marked "A", and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be hereby approved, ratified and confirmed;

(b) any one director of the Company, or any two directors of the Company if affixation of the common seal is necessary, be and is/are hereby authorised to execute and deliver all such documents, instruments or agreements and to do all such acts or things which he/she/they may in his/her/their discretion consider necessary, desirable or expedient to implement and/or give effect to the Equity Transfer Agreement and the transactions contemplated thereunder."

(2) "THAT:

(a) subject to the passing of resolution (1) above, the Capital Injection Agreement (as defined in the Circular, a copy of which has been produced to this meeting marked "B" and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be hereby approved, ratified and confirmed; and

(b) any one director of the Company, or any two directors of the Company if affixation of the common seal is necessary, be and is/are hereby authorised to execute and deliver all such documents, instruments or agreements and to do all such acts or things which he/she/they may in his/her/their discretion consider necessary, desirable or expedient to implement and/or give effect to the Capital Injection Agreement and the transactions contemplated thereunder."

By Order of the Board
Minmetals Land Limited
He Jianbo
Chairman

Hong Kong, 21 July 2020

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A member who is a recognised clearing house within the meaning of the Securities and Futures Ordinance is entitled to appoint one or more proxies to attend and vote on its 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, and in any event not later than 10:30 a.m. on Wednesday, 5 August 2020. 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 Wednesday, 5 August 2020 to Friday, 7 August 2020 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the 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 Tuesday, 4 August 2020 for registration of share transfer.

4. The votes at the Meeting will be taken by poll.

5. Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the Meeting arrangements at short notice. Shareholders should check the Company's website at www.minmetalsland.com for further announcements and updates on the Meeting arrangements.