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# **五礦建設有限公司\***

## **MINMETALS LAND LIMITED**

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

### **VERY SUBSTANTIAL DISPOSAL/ACQUISITION**

Formation of a joint venture with an investment fund involving the possible grant of certain options by the Group to the investment fund to dispose of the investment fund's interest in the joint venture to the Group

**AND**

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION**

Participation of the joint venture in a real estate development project in Nanjing City, Jiangsu Province, the PRC

**AND**

### **RESUMPTION OF TRADING**

The Company announces that:

- (1) on 16 September 2008, (i) the Fund, MLLSPV (an indirect wholly-owned subsidiary of the Company) and Holdco entered into the Subscription Agreement pursuant to which the Fund and MLLSPV will subscribe for certain new shares in Holdco such that Holdco will be owned as to 48.53% and 51.47% by the Fund and MLLSPV respectively upon Completion, and the Fund and MLLSPV will provide certain shareholders' loans to Holdco according to their respective proportionate equity interests therein, for the purpose of raising capital for the participation of Holdco (through its wholly-owned subsidiary, HKCo) in the capital expansion of the PRC JV, which will become a joint venture between HKCo and CMID to jointly develop the Property Project, and (ii) the Fund, MLLSPV and Holdco entered into the Shareholders' Agreement, which sets out, amongst other things, the major terms in respect of the management and operations of the Holdco Group on and after Completion; and
- (2) on 22 September 2008, (i) HKCo, CMID and the PRC JV entered into the Capital Expansion Agreement pursuant to which HKCo will participate in the capital expansion of the PRC JV by making capital contribution to the registered capital of the PRC JV such that the PRC JV will be owned as to 98.88% and 1.12% by HKCo and CMID, respectively, upon completion of the Capital Expansion Agreement, and (ii)

HKCo and CMID entered into the JV Agreement (together with the Articles of Association of the PRC JV), which sets out the major terms in respect of the management and operations of the PRC JV on and after completion of the Capital Expansion Agreement and the effective conversion of the PRV JV into a Sino-foreign equity joint venture company under the PRC laws.

The Fund is a wholly-owned subsidiary of Asia Property Fund II GmbH & Co. KG ("ASPF II") (Registration Number HRA 90071 at the Commercial Register of the Local Court in Munich). Pursuant to certain investment services agreement(s) entered into between the Fund / ASPF II and Pramerica Asia, Pramerica Asia provides asset management and advisory services to the Fund and ASPF II in relation to the Property Project.

Pramerica Asia is the Asia unit of the real estate investment management business of Prudential Financial, Inc., which is headquartered in the United States. It has managed institutional client portfolios in Asia since 1994, focusing on different types of real estate investments throughout the region in Singapore, Hong Kong, Japan, Malaysia, the Philippines, Indonesia, South Korea, China, Thailand and India. Prudential Financial, Inc. is not affiliated in any manner with Prudential plc of the United Kingdom.

The Fund is an Independent Third Party. Based on the applicable size tests with respect to the formation of a joint venture in Holdco between the Company (through its indirect wholly-owned subsidiary) and the Fund, each of the relevant ratios under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%. However, the Company could not at this stage ascertain the highest possible monetary value of the exercise prices of the Default Sell Option and the Final Exit Option and the Company cannot rule out the possibility that the transaction in relation to the exercise of each of these options will constitute a very substantial disposal/acquisition for the Company in future. Pursuant to Rule 14.76(1) of the Listing Rules, the possible grant of each of the Default Sell Option and the Final Exit Option constitutes a very substantial disposal/acquisition for the Company. As such, Transaction A (including without limitation the possible grant of the Buy-back Option, the Default Sell Option, the Interim Exit Option and the Final Exit Option, the exercise of which are all not at the Group's discretion) constitutes a very substantial disposal/acquisition for the Company under the Listing Rules. Under Rule 14.49 of the Listing Rules, Transaction A is subject to the approval of the Shareholders in the SGM and is also subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The Company would seek approval of the Shareholders in the SGM with respect to the possible grant by MLLSPV of the Buy-back Option, the Default Sell Option, the Interim Exit Option and the Final Exit Option, the exercise of which are not at the Group's discretion, under the Shareholders' Agreement. No Shareholder is required to abstain from voting in the SGM for the approval of Transaction A. Pursuant to Rules 14.74 and 14.76(1) of the Listing Rules, the Company will inform the Stock Exchange of the relevant actual monetary values with respect to the said options as soon as they have been determined and announce by means of an announcement as soon as reasonably practicable on the exercise or transfer of each of such options. As regards the exercise of the Default Buy Option, the exercise of which is at the Group's discretion, the Company will comply with the relevant requirements under the Listing Rules before the exercise of such option.

Since CMID is a subsidiary of China Minmetals and a fellow subsidiary of June Glory (the controlling shareholder of the Company and an indirect wholly-owned subsidiary of China Minmetals), CMID is a connected person of the Company. Based on the applicable size tests with respect to the participation of Holdco (through HKCo) by way of capital contribution of RMB884,800,000 (approximately HK\$1,010,353,120) in the capital expansion of the PRC JV under the Capital Expansion Agreement and the provision of the Working Capital Entrusted Loan, one of the relevant ratios under Rule 14.07 of the Listing Rules exceeds 100%. As such, Transaction B constitutes a very substantial acquisition and also a connected transaction for the Company under the Listing Rules. Under Rules 14.49 and 14A.17 of the Listing Rules, Transaction B is subject to the approval of the Independent Shareholders in the SGM by poll and is also subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules. June Glory (which held approximately 67.93% of the issued share capital of the Company as at the date of this announcement) and its associates will abstain from voting in the SGM for the approval of Transaction B.

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

A circular containing information regarding, amongst other matters, the Subscription Agreement, the Shareholders' Agreement, the Capital Expansion Agreement and the JV Agreement, the recommendations of the Independent Board Committee to the Independent Shareholders in relation to Transaction B, the advice of the independent financial adviser in connection with Transaction B, the property valuation report in respect of the Land and the notice of the SGM will be despatched to Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 17 September 2008, pending the publication of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 25 September 2008.

## **1. INTRODUCTION**

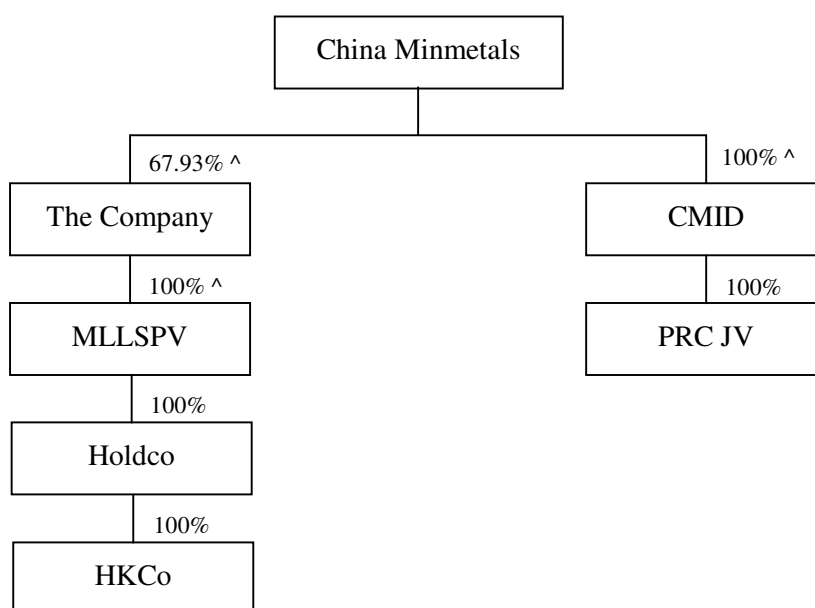
The Company announces that:

- (1) on 16 September 2008, (i) the Fund, MLLSPV (an indirect wholly-owned subsidiary of the Company) and Holdco entered into the Subscription Agreement in relation to the subscription by the Fund and MLLSPV for certain shares in Holdco and the provision of certain shareholders' loans by the Fund and MLLSPV to Holdco, for the purpose of raising capital for the participation of Holdco (through its wholly-owned subsidiary, HKCo) in the capital expansion of the PRC JV, which will become a joint venture between HKCo and CMID to jointly develop the Property Project, and (ii) the Fund, MLLSPV and Holdco entered into the Shareholders' Agreement, which sets out, amongst other things, the major terms in respect of the management and operations of the Holdco Group on and after Completion; and

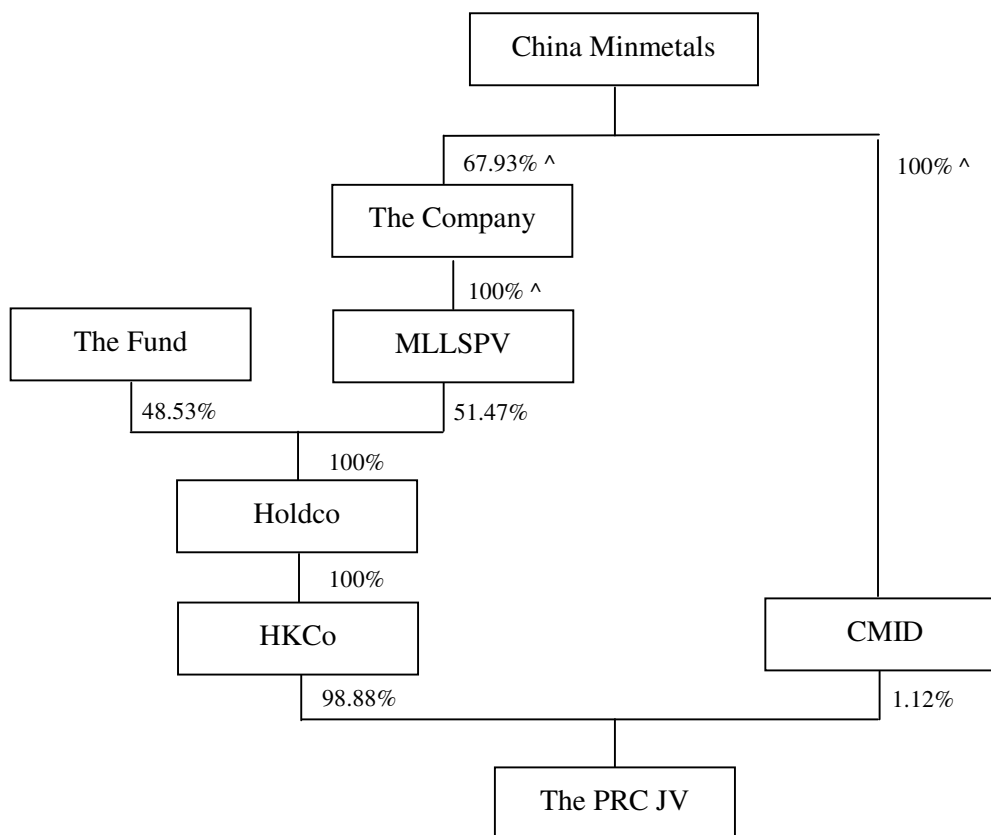
(2) on 22 September 2008, (i) HKCo, CMID and the PRC JV entered into the Capital Expansion Agreement pursuant to which HKCo will participate in the capital expansion of the PRC JV, and (ii) HKCo and CMID entered into the JV Agreement (together with the relevant Articles of Association), which sets out the major terms in respect of the management and operations of the PRC JV on and after completion of the Capital Expansion Agreement and the effective conversion of the PRC JV into a Sino-foreign equity joint venture company under the PRC laws.

The diagrams below are the simplified corporate structures of the relevant companies before and upon completion of the Subscription Agreement and the Capital Expansion Agreement and the effective conversion of the PRC JV into a Sino-foreign equity joint venture company under the PRC laws.

*Before completion of the Subscription Agreement and the Capital Expansion Agreement:*



Upon completion of the Subscription Agreement and the Capital Expansion Agreement and the effective conversion of the PRC JV into a Sino-foreign equity joint venture company under the PRC laws:



Note: ^ represents indirect shareholding

The Directors, to the best of their knowledge, information and belief and having made all reasonable enquiries, confirm that the Fund is an Independent Third Party.

## 2. BACKGROUND

CMID is a limited liability company established under the laws of the PRC and is principally engaged in investment. CMID is owned indirectly as to 100% by China Minmetals which in turn indirectly owns the entire equity interest in June Glory, the controlling shareholder of the Company. On 25 June 2008, CMID submitted a bid to acquire the land use rights of the Land in a public tender and the tender for the Land was awarded by the Nanjing Land and Resource Administration Bureau (南京市國土資源局) (the “**Land Bureau**”) to CMID on the same day. On 4 July 2008, CMID entered into the state-owned land use rights grant contract (國有土地使用權出讓合同) (the “**Land Grant Contract**”) with the Land Bureau in respect of the Land pursuant to which the land use rights of the Land shall be granted to CMID for a land premium of RMB830,000,000 (approximately HK\$947,777,000). Pursuant to an approval (Ning Guo Tu Zi [2008] No. 366) dated 1 September 2008 issued by the Land Bureau, the Land Bureau approved the change of the grantee of the Land from CMID to the PRC JV and the assumption by the PRC JV of the rights and obligations under the Land Grant Contract.

The Company intends to partner with the Fund (Pramerica Asia provides asset management and advisory services to the Fund in relation to the Property Project) to participate and co-invest in the Property Project to be undertaken on the Land by the PRC JV. In this connection, CMID has agreed to allow the Property Project to be owned substantially by the Group and the Fund (together through Holdco) by way of capital contribution in a total amount of RMB884,800,000 (approximately HK\$1,010,353,120) by Holdco (through HKCo) to the registered capital of the PRC JV. The said capital contribution is based on the aggregate original cost of acquisition of the Land of RMB894,800,000 (approximately 1,021,772,120) paid or to be paid by the PRC JV, which comprises (i) the land premium of RMB830,000,000 (approximately HK\$947,777,000), (ii) the related taxes and transaction levy of a total sum of RMB34,550,000 (approximately HK\$39,452,645), and (iii) the relevant financial and administrative cost (collectively, the “**Capital Costs**”) in an estimated amount of RMB30,250,000 (approximately HK\$34,542,475). As of the date of this announcement, the PRC JV has paid approximately 50.0% of the land premium of the Land. The full payment of the land premium of the Land and the related taxes and transaction levy is expected to be made by the PRC JV in November 2008 and the total Capital Costs are expected to be settled upon completion of the Capital Expansion Agreement.

Holdco, which is currently an indirect wholly-owned subsidiary of the Company and has a paid-up capital of US\$1.00, was incorporated on 8 August 2008 for the purpose of facilitating the co-operation between the Group and the Fund in connection with their co-investment in the Property Project. The Subscription Agreement was entered into between the Fund, MLLSPV and Holdco to raise capital in a total amount of RMB884,800,000 (approximately HK\$1,010,353,120) for Holdco to participate (through HKCo) in the capital expansion of the PRC JV. Pursuant to the Subscription Agreement, the Fund and MLLSPV will subscribe for certain new shares in Holdco such that Holdco will be owned as to 48.53% and 51.47% by the Fund and MLLSPV, respectively, upon Completion, and the Fund and MLLSPV will provide certain shareholders’ loans to Holdco according to their respective proportionate equity interests therein upon Completion.

The PRC JV, which is currently owned as to 100% by CMID, was incorporated on 7 August 2008 to hold the Land and undertake the Property Project on the Land. To effect the investment by Holdco in the Property Project, the Capital Expansion Agreement was entered into amongst HKCo (a wholly-owned subsidiary of Holdco), CMID and the PRC JV. Pursuant to the Capital Expansion Agreement, HKCo will make capital contribution to the registered capital of the PRC JV in cash equivalent to RMB884,800,000 (approximately HK\$1,010,353,120) such that the PRC JV will be owned as to 98.88% and 1.12% by HKCo and CMID, respectively, upon completion of the Capital Expansion Agreement and the effective conversion of the PRC JV into a Sino-foreign equity joint venture company under the PRC laws. The conversion of the legal status of the PRC JV into a Sino-foreign equity joint venture company will be subject to, amongst others, approval from the relevant regulatory authorities in the PRC.

### **3. OTHER MAJOR INVOLVEMENTS OF THE GROUP IN THE PRC JV ON AND AFTER COMPLETION**

As part of the arrangements amongst the parties, after Completion, the Group will provide (i) a secured interest-bearing loan for the purpose of financing the initial development costs of the Property Project, which is estimated to be not more than RMB100,000,000 (approximately HK\$114,190,000), as required by the PRC JV to meet the payment of the preliminary project development costs before commercial borrowings from banks and/or financial institutions are expected to be arranged and made available to the PRC JV, and (ii) property development and project management services in connection with the Property Project for a fee. In such context, it is currently intended that after Completion, the Group and the PRC JV will enter into (i) the relevant entrusted loan documents (including the relevant security document) pursuant to which the Group may extend a secured interest-bearing loan of not more than RMB100,000,000 (approximately HK\$114,190,000) to the PRC JV through an entrusted loan arrangement (the “**Working Capital Entrusted Loan**”), and (ii) an agreement with respect to the provision of property development and project management services in connection with the Property Project (the “**Project Management Services**”) by the Group to the PRC JV. It is currently intended that the Project Management Services may include those which are usually or customarily performed by a project manager, such as managing the project and advising on the building design, market positioning, materials procurement and sales and marketing of the project, and the fee for these services will be determined after arm’s length negotiations between the Group and the PRC JV after Completion. As at the date of this announcement, the relevant parties have not finalised the terms and conditions of the agreements in relation to the Working Capital Entrusted Loan and/or the Project Management Services, and it is the current intention of the relevant parties that such agreements will be entered into after Completion. When the agreements in relation to the Working Capital Entrusted Loan and/or the Project Management Services are entered into, the Company will comply with the relevant requirements of the Listing Rules as and when appropriate.

### **4. INFORMATION ON THE LAND AND THE PRC JV**

The Land comprises a parcel of land described as Lot Number 2008G16 with a gross site area of approximately 70,833.1 square metres located at No. 188, Mengdu Avenue, Jiangye District, Nanjing City, Jiangsu Province, the PRC (中國南京市建鄴區夢都大街188號). The Land will be handed over to the PRC JV in a ready-to-develop status. The relevant land use right for the Land will be issued for a term of 70 years for residential use. The expected maximum gross floor area of the Property Project is approximately 170,000 square metres.

The PRC JV was incorporated on 7 August 2008 and is currently wholly-owned by CMID and no audited financial information on it is available yet. Up to the date of this announcement, the PRC JV has not carried on any major business activity except the making of certain installment payments for the land premium for the Land and the application in progress for the land use rights certificate with respect to the Land (the “**Land Use Rights Certificate**”) in the name of the PRC JV. Based on the books and records of the PRC JV, as at 2 September 2008 (being the date immediately after the date on which the Land Bureau has approved the change of the grantee of the Land from CMID to the PRC JV), the total assets of the PRC JV were

approximately RMB425,260,000 (approximately HK\$485,604,394) comprising mainly the installment payments for the land premium of the Land of RMB415,000,000 (approximately HK\$473,888,500) and a cash balance of RMB9,993,000 (approximately HK\$11,411,007). The total assets of the PRC JV have been funded by the registered capital of RMB10,000,000 (approximately HK\$11,419,000) and the amount due to CMID and its associate of RMB415,386,000 (approximately HK\$474,329,273). The loss attributable to equity holder of the PRC JV for the period from the date of incorporation of the PRC JV up to and including 2 September 2008 was RMB126,000 (approximately HK\$143,879).

## **5. THE SUBSCRIPTION AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)**

Date:	16 September 2008
Parties:	<ul style="list-style-type: none"> <li>(i) The Fund, which is principally engaged in investment holding and is a wholly-owned subsidiary of ASPF II</li> <li>(ii) MLLSPV, which is principally engaged in investment holding and is an indirect wholly-owned subsidiary of the Company; and</li> <li>(iii) Holdco, which is principally engaged in investment holding</li> </ul>
Subject matter:	The subscription for 4,853 and 5,146 new shares in Holdco by the Fund and MLLSPV, respectively, and the provision of shareholders' loans in cash equivalent to RMB360,000,000 (approximately HK\$411,084,000) and RMB381,800,000 (approximately HK\$435,977,420) to Holdco by the Fund and MLLSPV, respectively, for the purpose of raising capital in a total amount of RMB884,800,000 (approximately HK\$1,010,353,120) for the participation of Holdco through HKCo in the capital expansion of the PRC JV.
Current capital and shareholding structure:	As at the date of this announcement, Holdco is an indirect wholly-owned subsidiary of the Company with one share in issue and an issued share capital of US\$1.00, which has been fully paid-up by MLLSPV.
Proposed increase in share capital:	Upon Completion, the issued share capital of Holdco will increase by 9,999 shares to 10,000 shares, of which 4,853 and 5,146 new shares will be issued to the Fund and MLLSPV respectively.
Resulting shareholding Structure:	Upon Completion, the Fund and MLLSPV will own 4,853 and 5,147 (including the current share in issue held by MLLSPV) shares of Holdco respectively, representing an equity shareholding of approximately 48.53% and 51.47% respectively.
Share subscription price:	The Fund will subscribe for 4,853 new shares of Holdco for a cash consideration equivalent to RMB69,400,000 (approximately HK\$79,247,860), while MLLSPV will subscribe for 5,146 new shares of Holdco for a cash consideration equivalent to RMB73,600,000 (approximately HK\$84,043,840) (the shares in Holdco to be owned by the Fund and the relevant subscription price to be paid by the Fund are



referred to as “**Fund Shares**” and “**Fund Subscription Price**” respectively hereinafter).

Shareholder’s loan contributions: The Fund and MLLSPV will each contribute an interest-free shareholder’s loan in cash equivalent to RMB360,000,000 (approximately HK\$411,084,000) and RMB381,800,000 (approximately HK\$435,977,420) respectively to Holdco (the shareholder’s loan and the amount of the shareholder’s loan in cash equivalent to RMB360,000,000 (approximately HK\$411,084,000) to be contributed by the Fund are referred to as “**Fund Shareholder’s Loan**” and “**Fund Shareholder’s Loan Amount**” respectively hereinafter).

Conditions precedent: Completion is conditional upon the fulfillment or the waiver (only in respect of items (ii) to (vi) below) of, amongst other things, the following:

- (i) Transaction A and Transaction B having been approved by the Shareholders or Independent Shareholders (as the case may be) at the SGM;
- (ii) the Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC in respect of the PRC JV from the relevant authority in the PRC having been obtained;
- (iii) the registration with the competent PRC administration authority of foreign exchange in respect of the proposed increase in the registered capital of the PRC JV as contemplated under the Capital Expansion Agreement having been completed;
- (iv) the original Land Use Rights Certificate in respect of the Land in the name of the PRC JV having been issued by the relevant government authorities in the PRC;
- (v) the legal due diligence on Holdco, HKCo and the PRC JV, and the financial due diligence on the PRC JV having been completed to the reasonable satisfaction of the Fund and MLLSPV; and
- (vi) the warranties given by Holdco under the Subscription Agreement having remained true and accurate and not misleading in any material respect as given at the date of the Subscription Agreement and immediately before Completion with reference to the facts and circumstances then existing unless stipulated otherwise in the said warranties.

If the condition set out in item (i) above has not been fulfilled, or if any of the conditions set out in items (ii) to (vi) above has not been fulfilled or waived, on or prior to 28 February 2009 (or such later date as may be agreed between the Fund, MLLSPV and Holdco in writing), all rights, obligations and liabilities of the parties in respect of or under the

Subscription Agreement shall cease and terminate, and no party shall have any claim of any nature whatsoever against the other parties thereunder (except in respect of any antecedent breach of any obligation under the Subscription Agreement).

Financing by CMID and/or its affiliates: All parties to the Subscription Agreement agreed that CMID and/or its affiliates may prior to Completion provide shareholder's loans or other forms of loans, advances or financing to the PRC JV for the purposes of or in connection with the payment of the land premium of Land, the related taxes and transaction levy and the Capital Costs.

**Basis for determining the subscription prices and the amounts of the shareholders' loans**

The subscription prices of RMB69,400,000 (approximately HK\$79,247,860) and RMB73,600,000 (approximately HK\$84,043,840) to be paid by the Fund and MLLSPV respectively for the new shares, and the shareholders' loans of RMB360,000,000 (approximately HK\$411,084,000) and RMB381,800,000 (approximately HK\$435,977,420) to be provided by the Fund and MLLSPV respectively, under the Subscription Agreement are determined by reference to the total capital contribution to be made by Holdco (through HKCo) to the PRC JV under the Capital Expansion Agreement and the proportionate equity interests of the Fund and MLLSPV in Holdco upon Completion.

**6. THE SHAREHOLDERS' AGREEMENT**

Date: 16 September 2008

Parties: (i) The Fund;  
(ii) MLLSPV; and  
(iii) Holdco

Subject Matter: The major terms in respect of the management and operations of the Holdco Group and the rights and obligations of the shareholders of Holdco on and after Completion

Board Composition: The board of directors of Holdco shall comprise seven directors, of which not more than three directors shall be appointed by the Fund and not more than four directors shall be appointed by MLLSPV. The chairman of the board of directors of Holdco shall be appointed by a majority of the directors appointed by the majority shareholder of Holdco.

Summary of the major terms and conditions:

(i) *Working Capital Entrusted Loan*

Both the Fund and the Group agree that after Completion, the Group shall provide the Working Capital Entrusted Loan to the PRC JV, before any external financing from banks and/or financial institutions is in place, to finance the initial development costs of the Property Project. The Working Capital Entrusted Loan shall carry an interest calculated based on the actual capital costs incurred in connection with the provision of such loan, including without limitation interests at the basis lending rate of the People's Bank of China (中國人民銀行同期貸款基準利率) and the administrative costs in connection with such loan, which shall be borne by the PRC JV. In addition, the Working Capital Entrusted Loan shall be secured by a pledge of the Land in favour of the Group. The PRC JV and the Group (among others) will enter into the relevant documents in relation to the Working Capital Entrusted Loan and the pledge of the Land as security of such loan after Completion. The Fund and MLLSPV agree to, and shall procure that the PRC JV shall, repay in full the Working Capital Entrusted Loan (and the interest accrued thereon) in priority to any external financing, if any, provided to the PRC JV.

(ii) *General funding arrangements*

In addition to the Working Capital Entrusted Loan to be provided by the Group, in the event Holdco's financial resources are at any stage insufficient to satisfy the working capital requirements of the PRC JV in respect of the development of the Property Project and/or the working capital requirements of the Holdco Group, Holdco shall arrange to obtain commercial borrowings from banks and/or other financial institutions or other financing means. In the event external financing or other financing means are not available or appropriate, such capital requirements may be met by the issue of additional securities of Holdco to its shareholders in proportion to their respective equity interests therein, as and when determined by the board of directors of Holdco.

In the event any shareholder of Holdco (the "**Defaulting Shareholder**") fails to subscribe for its proportionate additional securities (the "**Additional Securities**") under the circumstance as described above, the other shareholder (the "**Non-defaulting Shareholder**") shall have the right at its option to subscribe for such Additional Securities which the Defaulting Shareholder has failed to subscribe, and in such case, the percentage equity interest of the Non-defaulting Shareholder in Holdco shall be adjusted to reflect its subscription of the Additional Securities.

(iii) *Tag along rights*

In the event any shareholder of Holdco (the "**Transferring Shareholder**") receives an offer (that it wishes to accept) from a *bona fide* third party (a "**Third Party Offer**") to purchase some or all of its shares in Holdco, the other shareholder (the "**Remaining Shareholder**") (if it does not exercise its right of first refusal) shall have the right to exercise its rights to tag along with the sale by the Transferring Shareholder pursuant to the Third Party Offer to sell such number of its shares in Holdco representing up to a certain ratio of its total shares held in Holdco. The said ratio is equal to the number of shares in Holdco to be sold by the Transferring Shareholder pursuant to the Third Party Offer bears to its total shares held in Holdco.

(iv) *Deadlock and required sale*

If the Fund and MLLSPV are not able to agree (after negotiating in good faith which negotiation shall include direct discussions between senior management of each of the Fund and MLLSPV for discussion and settlement in good faith) on the subject matter of any material resolution submitted to a board meeting or shareholders' meeting of Holdco and such matter remains unresolved after a certain period of time, either shareholder of Holdco shall be entitled to request the sale of the entire issued share capital of Holdco and all the outstanding shareholders' loans owing by Holdco (collectively, the "**Whole Holdco Assets**"), and in such case Holdco shall use its best efforts to obtain the highest bona fide written offer ("**Highest Offer**") from a third party for an all-cash purchase of the Whole Holdco Assets and each shareholder of Holdco has the right to submit a bid to acquire the same, provided that such bid shall be at an equal or higher price than, and on the same terms and conditions of, the Highest Offer (if it exists).

(v) *Buy-back*

In the event (1) the relevant construction permits necessary for the Property Project have not been obtained according to the relevant PRC laws and regulations, or (2) the construction works of the Property Project has not commenced prior to 30 June 2010 (the “**Buy-back Triggering Events**”), provided that such failure to obtain the construction permits or to commence the construction works does not arise from or is not due to or in consequence of any default, negligence, fraud or misconduct of the Fund or its Affiliates or any force majeure events, MLLSPV will irrevocably grant to the Fund an option (a) to assign the Fund Shareholder's Loan to MLLSPV and (b) to sell the Fund Shares to MLLSPV, for a total consideration equivalent to the total original cost (without interest) of investment by the Fund in Holdco, being the sum of the Fund Subscription Price and the Fund Shareholder’s Loan Amount.

In case any of the Buy-back Triggering Event occurs, MLLSPV in effect has to grant an option (the “**Buy-back Option**”) to the Fund to dispose of the Fund’s equity interest (together with the Fund Shareholders’ Loan) to MLLSPV, the exercise of which is not at MLLSPV’s discretion. The Buy-back Option shall be exercised by the Fund by serving a written notice to MLLSPV of not less than 15 Business Days from the date on which any of the Buy-back Triggering Events occurs.

(vi) *Default by shareholders*

If (1) any shareholder of Holdco commits a material breach of the Shareholders' Agreement and either the breach is not capable of being remedied or the defaulting shareholder does not remedy that breach (to the reasonable satisfaction of the other shareholder) within 30 days of the other shareholder sending the defaulting shareholder a written notice requesting it to remedy such breach, or if (2) any shareholder of Holdco is in a situation of financial difficulties (as defined in the Shareholders' Agreement) such as in the event that the value of its assets is less than its liabilities, or if any person attaches, arrests or seizes, or distress, execution, sequestration or other similar process is levied or enforced upon or sued out against, the whole or any material part of the assets, undertakings, rights or revenues of such shareholder (collectively, the "**Default Events**"), the defaulting shareholder shall in effect be deemed to have offered to dispose of all its shares held in Holdco to the other shareholder at an offer price to be determined after arm's length negotiation between the shareholders by reference to the Fair Market Value of the subject shares.

In case MLLSPV is the party who triggers any of the Default Events, MLLSPV in effect has to grant an option (the "**Default Sell Option**") to the Fund to acquire the equity interest of MLLSPV in Holdco, the exercise of which is not at MLLSPV's discretion. In case the Fund is the party who triggers any of the Default Events, MLLSPV may exercise the option (the "**Default Buy Option**") to acquire the equity interest of the Fund, at MLLSPV's discretion.

(vii) *Interim exit by the Fund*

Subject to and on condition that the PRC JV (1) has received a certain amount of pre-sale proceeds with respect to the sale of property units of the Property Project and (2) has certain amount of cash balance (collectively, the “**Interim Exit Triggering Conditions**”), MLLSPV will irrevocably grant to the Fund an option to assign the Fund Shareholder's Loan to MLLSPV for a consideration equivalent to the original amount (without interest) of shareholder's loan to be provided by the Fund to Holdco, being the Fund Shareholder's Loan Amount of RMB360,000,000 (approximately HK\$411,084,000) (the “**Interim Exit Price**”), provided that the Fund shall execute a share charge in respect of the Fund Shares in favour of MLLSPV to be effective from the date of assignment of the Fund Shareholder's Loan until the completion of the transfer of the Fund Shares to MLLSPV under the Final Exit (as defined below). The deed of assignment to be entered into between the Fund and MLLSPV mentioned above shall be in the form and substance reasonably satisfactory to MLLSPV.

In case the Interim Exit Triggering Conditions are all fulfilled, MLLSPV in effect has to grant an option (the “**Interim Exit Option**”) to the Fund to assign the Fund Shareholder's Loan to MLLSPV, the exercise of which is not at MLLSPV's discretion. The Interim Exit Option shall be exercised by the Fund by serving a written notice to MLLSPV of not less than 5 Business Days from the date on which all Interim Exit Triggering Conditions are fulfilled.

(viii) *Final exit by the Fund*

Subject to and on condition that (1) the PRC JV has received a certain amount of pre-sale proceeds with respect to the sale of property units of the Property Project, (2) the full repayment of all outstanding liabilities and indebtedness then owing by the PRC JV to the Group and/or its Affiliates, and (3) the full payment or full provision by the PRC JV of all outstanding costs and expenses in relation to the Property Project accrued up to and upon completion of the Final Exit (as defined below) (collectively, the “**Final Exit Triggering Conditions**”), MLLSPV will irrevocably grant to the Fund an option to sell the Fund Shares to MLLSPV for a consideration equal to the percentage shareholding of the Fund Shares with respect to the total issued shares of Holdco multiplied by an amount which is equal to (i) the Fund Subscription Price and the Estimated Full Profits, less (ii) all dividends and distributions declared and paid by Holdco to its shareholders (prior to completion of the Final Exit), and subject to the deduction of (iii) the amount equivalent to the actual Capital Costs in excess, if any, of RMB30,250,000 (approximately HK\$34,542,475) (the “**Final Exit**”).

In case the Final Exit Triggering Conditions are all fulfilled, MLLSPV in effect has to grant an option (the “**Final Exit Option**”) to the Fund to dispose of the Fund Shares to MLLSPV, the exercise of which is not at MLLSPV’s discretion. The Final Exit Option shall be exercised by the Fund by serving a written notice to MLLSPV of not less than 15 Business Days from the date on which all Final Exit Triggering Conditions are fulfilled.

(ix) *Indemnification by MLLSPV*

MLLSPV will indemnify the Fund and the Holdco Group from and against all losses, liabilities, damages, deficiencies, judgements, assessments, fines, settlements, costs and expenses that the Fund and/or the Holdco Group suffers or incurs arising from or related to any violation of the Anti-corruption Undertaking provided by MLLSPV under the Shareholders’ Agreement.

## 7. THE CAPITAL EXPANSION AGREEMENT

Date: 22 September 2008

Parties:

- (i) HKCo, which is principally engaged in investment holding and is a wholly-owned subsidiary of Holdco
- (ii) CMID, which is principally engaged in investment; and
- (iii) the PRC JV, which is principally engaged in real estate development, property management, and property sales



Subject matter:	The participation of Holdco (through HKCo) in the capital expansion of the PRC JV pursuant to which HKCo will contribute cash to the registered capital of the PRC JV, and the PRC JV will change its legal status to become a Sino-foreign equity joint venture company upon completion of the Capital Expansion Agreement and, inter alia, the obtaining of the relevant approvals from the relevant PRC authorities.
Current capital and shareholding structure:	As at the date of this announcement, CMID owns the entire equity interest in the PRC JV which has a registered capital of RMB10,000,000 (approximately HK\$11,419,000).
Proposed increase in registered capital:	The registered capital of the PRC JV is proposed to increase by RMB884,800,000 (approximately HK\$1,010,353,120) from RMB10,000,000 (approximately HK\$11,419,000) to RMB894,800,000 (approximately HK\$1,021,772,120).
Resulting shareholding structure:	Upon completion of the Capital Expansion Agreement and the effective conversion of the PRC JV into a Sino-foreign equity joint venture company under the PRC laws, the PRC JV will be owned as to 98.88% by HKCo and as to 1.12% by CMID.
Completion:	<p>Completion of the Capital Expansion Agreement is conditional upon the fulfillment or waiver (by HKCo) of, amongst other things, the following conditions:</p> <ul style="list-style-type: none"> <li>(i) the Capital Expansion Agreement and the JV Agreement (together with the articles of association of the PRC JV) having been approved by the relevant authorities in the PRC;</li> <li>(ii) the warranties given by the parties to the Capital Expansion Agreement having remained true, accurate and valid as at the date of completion of the Capital Expansion Agreement as they were given at the date of the Capital Expansion Agreement; and</li> <li>(iii) no adverse changes to the PRC JV since the date of the Capital Expansion Agreement.</li> </ul> <p>If the conditions set out above have not been fulfilled, or waived by HKCo, on or prior to 28 February 2009 (or such later date as may be agreed amongst the parties to the Capital Expansion Agreement in writing), without prejudice to HKCo's rights under such agreement, HKCo could either elect to rescind the Capital Expansion Agreement, or defer the completion of part or all of the transactions contemplated under the Capital Expansion Agreement for not more than 90 days from the expected date set out above, or to continue the transactions contemplated under the Capital Expansion Agreement.</p>

### **Basis for determining the capital contribution by HKCo**

The capital contribution of RMB884,800,000 (approximately HK\$1,010,353,120) to be made by HKCo to the registered capital of the PRC JV is determined by reference to its equity ownership of 98.88% in the PRC JV upon completion of the Capital Expansion Agreement and its proportionate share of the total acquisition cost of the Land of RMB894,800,000 (approximately HK\$1,021,772,120) expected to be paid up by the PRC JV for the acquisition of the Land upon completion of the Capital Expansion Agreement.

### **8. THE JV AGREEMENT**

Date:	22 September 2008
Parties:	(i) HKCo; and (ii) CMID
Subject matter:	The major terms in respect of the management and operations of the PRC JV and the rights and obligations of parties to the joint venture on and after completion of the Capital Expansion Agreement and the effective conversion of the PRC JV into a Sino-foreign equity joint venture company under the PRC laws
Scope of business of the PRC JV:	The PRC JV shall be principally engaged in real estate development, property management and property sales.
Total investment amount and registered capital of the PRC JV:	<p>The registered capital of the PRC JV will be RMB894,800,000 (approximately HK\$1,021,772,120), of which RMB10,000,000 (approximately HK\$11,141,900) has already been paid up by CMID in cash. HKCo shall make a cash contribution of RMB884,800,000 (approximately HK\$1,010,353,120) to the registered capital of the PRC JV upon completion of the Capital Expansion Agreement.</p> <p>The total investment amount of the PRC JV is proposed to be RMB894,800,000 (approximately HK\$1,021,772,120), which is intended to be funded by the registered capital of the PRC JV.</p> <p>Contribution to the registered capital of and extension of future shareholders' loans to the PRC JV, as and when necessary, will be made by the shareholders of the PRC JV in proportion to their respective equity interests in the PRC JV except that CMID does not have the obligation to contribute any extra registered capital (apart from the registered capital of RMB10,000,000 already contributed by it) or any financing to the PRC JV in future.</p>
Board Composition:	The board of directors of the PRC JV shall comprise seven directors, six of whom shall be appointed by Holdco and the remaining one by CMID. The chairman and vice-chairman of the board of directors of the PRC JV will be appointed by HKCo and CMID, respectively.
Profit Sharing:	Shareholders of the PRC JV shall be entitled to share the profits in proportion to their respective equity interests.

**9. ADDITIONAL INFORMATION ON THE OPTIONS INVOLVING THE GROUP UNDER THE SHAREHOLDERS' AGREEMENT**

Default Buy Option: As regards the possible grant of the Default Buy Option by the Fund to MLLSPV (the acquisition of the Fund Shares by MLLSPV), the exercise of which is at MLLSPV's discretion, the details of such option are as follows:

- (i) the actual monetary value of the exercise price could not be determined at this stage and shall be determined after arm's length negotiation between the Fund and MLLSPV by reference to the Fair Market Value of the Fund Shares in future when any Default Event occurs; and
- (ii) the actual revenue and profits and value attributable to the Fund Shares depend on, inter alia, the performance of the Property Project, which in turn depends on the development stage of the Property Project and the relevant property market conditions, at the time in future when any Default Event occurs, and therefore could not be determined at this stage.

Buy-back Option: As regards the possible grant of the Buy-back Option by MLLSPV (the acquisition of the Fund Shares and the Fund Shareholder's Loan from the Fund by MLLSPV), the exercise of which is not at MLLSPV's discretion, the details of such option are as follows:

- (i) since no price is payable by the Fund to acquire the Buy-back Option, the relevant premium payable is nil;
- (ii) the actual monetary value of the exercise price has been determined at the total cost of investment of the Fund of RMB429,400,000 (equivalent to approximately HK\$490,331,860), comprising RMB69,400,000 for the Fund Shares and RMB360,000,000 for the Fund Shareholder's Loan;
- (iii) the actual revenue attributable to the Fund Shares (as opposed to the Fund Shareholder's Loan which does not involve any equity interest) could not be determined at this stage but is expected to be immaterial since in event of any of the Buy-back Triggering Events having occurred, sale under the Property Project will not have commenced yet;
- (iv) the actual profits attributable to the Fund Shares (as opposed to the Fund Shareholder's Loan which does not involve any equity interest) could not be determined at this stage but are expected to be immaterial for the same reason stated above; and
- (v) the actual value of the Fund Shares depends on the future value of the PRC JV, which in turn depends on the value of the Land at the time when any Buy-back Triggering Event occurs, and therefore could not be determined at this stage, and the actual value of the Fund Shareholder's Loan is RMB360,000,000. However, the Company considers that it is logical and reasonable to assume that the Buy-back Option is highly likely not to be exercised by the Fund should the actual value of the Fund Shares be substantially higher than the Fund Subscription Price of RMB69,400,000. On such basis, the highest actual monetary value of the Fund Shares is expected to be RMB69,400,000 if the Buy-back Option shall have been exercised.

Based on the applicable size tests in relation to the grant of the Buy-back Option, one of the relevant ratios under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%. As such, the grant of the Buy-back Option, on a segregated basis, constitutes a major transaction for the Company.

Interim Exit  
Option:

As regards the possible grant of the Interim Exit Option by MLLSPV (the assumption of the Fund Shareholder's Loan by MLLSPV), the exercise of which is not at MLLSPV's discretion, the details of such option are as follows:

- (i) since no price is payable by the Fund to acquire the Interim Exit Option, the relevant premium payable is nil;
- (ii) the actual monetary value of the exercise price has been determined at the Fund Shareholder's Loan Amount of RMB360,000,000 (approximately HK\$411,084,000);
- (iii) as the Fund Shareholder's Loan does not involve any equity interest, none of the asset test, revenue test or profits test is applicable; and
- (iv) the actual value of the Fund Shareholder's Loan is equal to the Fund Shareholder's Loan Amount.

Based on the application size tests in relation to the grant of the Interim Exit Option, the consideration ratio (the only applicable size test) under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%. Accordingly, the grant of Interim Exit Option, on a segregated basis, constitutes a major transaction for the Company.

Default Sell  
Option:

As regards the possible grant of the Default Sell Option by MLLSPV (the acquisition of MLLSPV's shares in Holdco by the Fund), the exercise of which is not at MLLSPV's discretion, the details of such option are as follows:

- (i) since no price is payable by the Fund to acquire the Default Sell Option, the relevant premium payable is nil;
- (ii) the actual monetary value of the exercise price could not be determined at this stage and shall be determined after arm's length negotiation between the Fund and MLLSPV by reference to the Fair Market Value of MLLSPV's shares in Holdco in future when any Default Event occurs; and
- (iii) the actual revenue and profits and value attributable to MLLSPV's shares in Holdco depend on, inter alia, the performance of the Property Project, which in turn depends on then development stage of the Property Project and the relevant property market conditions, at the time in future when any Default Event occurs, and therefore could not be determined at this stage.

Given that the exercise price of the Interim Exit Option, the value and the revenue and profits attributable to MLLSPV's shares in Holdco have not been determined nor could the Company estimate the relevant highest possible monetary values at this stage, the transaction in relation to the grant of the Default Sell Option will be classified as at least a major transaction in accordance with Rule 14.76 (1) of the Listing Rules. The Company is of the view that it cannot rule out the possibility that the transaction in relation to the grant of the Default Sell Option will constitute a very substantial disposal for the Company based on the performance of the Property Project at the time when any Default Event occurs. The Company is therefore prepared to have such transaction classified as the highest classification of notifiable transaction, that is, a very substantial disposal for the Company.

Final Exit Option: As regards the Final Exit Option (the acquisition of the Fund Shares by MLLSPV), the exercise of which is not at MLLSPV's discretion, the details of the option are as follows:

- (i) since no price is payable by the Fund to acquire the Final Exit Option, the relevant premium payable is nil ;
- (ii) the actual monetary value of the exercise price could not be determined at this stage, however, the Company is of the view that a fair and reasonable basis has been determined to fix such monetary value in future; and
- (iii) the actual revenue and profits and value attributable to the Fund Shares depend on, inter alia, the performance of the Property Project, which in turn depends on then development stage of the Property Project and the relevant property market conditions, at the time in future when the Final Exit Triggering Conditions are fulfilled, and therefore could not be determined at this stage.

Given that the exercise price of the option, the value and the revenue and profits attributable to the Fund Shares have not been determined nor could the Company estimate the relevant highest possible monetary values at this stage, the transaction in relation to the grant of the Final Exit Option will be classified as at least a major transaction in accordance with Rule 14.76 (1) of the Listing Rules. The Company is of the view that it cannot rule out the possibility that the transaction in relation to the grant of the Final Exit Option will constitute a very substantial acquisition for the Company based on the performance of the Property Project at the time when the Final Exit Triggering Conditions are fulfilled. The Company is therefore prepared to have such transaction classified as the highest classification of the notifiable transaction, that is, a very substantial acquisition for the Company.

The Board is of the view that notwithstanding the absence of the actual monetary value of and the revenue and profits attributable to the underlying assets with respect to the Default Sell Option and the Final Exit Option, the Shareholders shall have been provided with sufficient relevant information to consider as to how they may vote in respect of Transaction A, for the following reasons:

- (i) whilst the actual monetary value of and the revenue and profits attributable to the underlying assets with respect to the Default Sell Option and the Final Exit Option may affect the classification of the transaction, the Company is prepared to have the transaction in relation to the grant of each of the Default Sell Option and the Final Exit Option classified as the highest classification of notifiable transaction, that is, a very substantial disposal/acquisition;
- (ii) the basis of determining the relevant exercise price of each of the Default Sell Option and the Final Exit Option is fair and reasonable and has been determined based on arm's length negotiations between the Group and the Fund which is an Independent Third Party;
- (iii) each of the relevant exercise prices of the Default Sell Option and the Final Exit Option has been determined by the fair value of the underlying assets;
- (iv) the terms of the Default Sell Option and the Final Exit Option are part of the entire commercial terms of Transaction A and Transaction B and the Shareholders (including the Independent Shareholders), when considering whether to vote for or against Transaction A, should consider the terms of Transaction A together with the reasons for and benefits of entering into of Transaction A and Transaction B as a whole; and
- (v) the interests of the controlling shareholder of the Company with respect to the grant of the Default Sell Option and the Final Exit Option are not different from that of the Independent Shareholders.

#### **11. TOTAL CAPITAL COMMITMENT TO THE PRC JV**

Upon completion of the Subscription Agreement and the Capital Expansion Agreement, the total capital commitment in cash by the Group and Holdco (which includes the funding to be provided by the Fund) amounts to not more than RMB984,800,000 (approximately HK\$1,124,543,120), of which (i) RMB884,800,000 (approximately HK\$1,010,353,120) will be provided by Holdco (which in turn through HKCo) as capital contribution to the PRC JV and (ii) not more than RMB100,000,000 (approximately HK\$114,190,000) will be provided through a wholly-owned subsidiary of the Company as Working Capital Entrusted Loan to the PRC JV.

The amount of RMB884,800,000 (approximately HK\$1,010,353,120) that will be provided by Holdco (which in turn through HKCo as capital contribution to the PRC JV) will be financed as to (i) RMB429,400,000 (HK\$490,332,860) by the Fund by its subscription for certain new shares in Holdco for a subscription price of RMB69,400,000 and its provision of certain shareholder's loan to Holdco in the amount of RMB360,000,000; and (ii) as to RMB455,400,000 (HK\$520,021,260) by MLLSPV by its subscription for certain new shares in Holdco for a subscription price of RMB73,600,000 and its provision of certain shareholder's loan to Holdco in the amount of RMB381,800,000.

## **12. INFORMATION ON THE FUND AND PRAMERICA ASIA**

Pramerica Asia is the Asia unit of the real estate investment management business of Prudential Financial, Inc., which is headquartered in the United States. It has managed institutional client portfolios in Asia since 1994, focusing on different types of real estate investments throughout the region in Singapore, Hong Kong, Japan, Malaysia, the Philippines, Indonesia, South Korea, China, Thailand and India. Prudential Financial, Inc. is not affiliated in any manner with Prudential plc of the United Kingdom.

Pursuant to certain investment services agreement(s) entered into between the Fund / ASPF II and Pramerica Asia, Pramerica Asia provides asset management and advisory services to the Fund and ASPF II in relation to the Property Project.

The Fund is a wholly-owned subsidiary of Asia Property Fund II GmbH & Co. KG (“**ASPF II**”) (Registration Number HRA 90071 at the Commercial Register of the Local Court in Munich). ASPF II is a fund duly established as a limited partnership under the laws of Germany, and is managed by its general partner, ASPF II Verwaltungs - GmbH & Co. KG, who in turn is managed by its general partner, ASPF II Management GmbH, an indirect wholly-owned subsidiary of Pramerica Investment Management. ASPF II is a pan-Asian focused investment fund with a special emphasis on Asia markets with a dynamic economic and demographic growth profile to capitalise on the increasing global significance and institutionalization of those markets. Investments of ASPF II are broadly diversified by property type throughout Asia but it has significant exposure to real estate developments to take advantage of the growth potential of the region.



### **13. FINANCIAL EFFECTS**

The Group intends to finance its share of investment, including equity contribution and shareholder's loan, of RMB455,400,000 (approximately HK\$520,021,260) in total in Holdco and the maximum amount of interest-bearing Working Capital Entrusted Loan of RMB100,000,000 (approximately HK\$114,190,000) mainly by bank borrowings. Based on the adjusted net assets of the Group of HK\$1,673,586,000 with reference to the reported net assets of the Group of HK\$1,136,386,000 as at 30 June 2008 and the increase in net assets due to the acquisition of China Minmetals Tower as detailed in the announcement and circular to shareholders of the Company dated 5 June 2008 and 26 June 2008 respectively, the maximum total commitment of RMB555,400,000 (approximately HK\$634,211,260) of the Group in relation to Transaction A and Transaction B may increase the gearing ratio of the Group (gross borrowings divided by net assets) by approximately 37.9%. Transaction A and Transaction B will have no material impact on the Group's net assets.

### **14. REASONS FOR AND BENEFITS OF TRANSACTION A AND TRANSACTION B**

The Group is principally engaged in the businesses of real estate development and project management, specialised construction, property leasing, and manufacturing and trading. As stated in the annual report of the Company for the year ended 31 December 2007, one of the key objectives/strategies of the Group is to continue to grow its core business of real estate development business in the PRC. In this context, the proposed participation in the Property Project will facilitate the Group's operations in its core business and therefore is in line with the Group's business strategy.

Given the financial resources available to the Group, the Directors believe that the participation in the Property Project by the Group presents a good opportunity for the Group to become involved in such a large size Property Project.

The Directors are optimistic about the residential property market in Nanjing, Jiangsu Province, the PRC. In particular, the results of pre-sale of the Group's another real estate development project in Nanjing, the Laguna Bay Project, so far have been generally acceptable. In addition, the Company is of the view that the business connection, the local knowledge and the experience gained by the management of the Group from the development of the Laguna Bay Project in Nanjing will contribute to the successful development of the Property Project. As such, it is envisaged that the Property Project will contribute positively to the future revenue and income growth of the Group.

According to a preliminary valuation conducted by Vigers Appraisal and Consulting Limited, which is an Independent Third Party, the Land was valued at RMB900,000,000 (approximately HK\$1,027,710,000) as at 31 August 2008, which is higher than the acquisition price of the Land of RMB830,000,000 (approximately HK\$947,777,000) by CMID. The valuation report prepared by Vigers Appraisal and Consulting Limited will be included in the circular to be despatched to Shareholders in relation to Transaction A and Transaction B. The valuation was principally conducted on a "willing buyer and a willing seller" basis, details of the basis of the valuation will be provided in the said valuation report.

The Directors (including all independent non-executive Directors) are of the view that Transaction A and the terms of the Subscription Agreement and the Shareholders' Agreement are fair and reasonable, have been arrived at on arm's length basis and are in the interests of the Company and the Shareholders as a whole. The Directors (other than the members of the Independent Board Committee, comprising all independent non-executive Directors, whose opinion will be set out in the relevant circular to Shareholders after taking into account the principal factors and reasons considered by the independent financial adviser and its advice also to be set out in such circular) are of the view that Transaction B and the terms of the Capital Expansion Agreement and the JV Agreement are fair and reasonable, have been arrived at an arm's length basis and are in the interests of the Company and the Shareholders as a whole.

## **15. LISTING RULES IMPLICATIONS**

The Shareholders' Agreement will be effective upon Completion of the Subscription Agreement, and it is the intention of the Fund, MLLSPV and CMID that the Capital Expansion Agreement and the JV Agreement (together with the Articles of Association of the PRC JV) will be submitted to the relevant PRC authorities for approval after the approval from the Independent Shareholders shall have been obtained according to the Listing Rules. In effect, the Subscription Agreement, the Shareholders' Agreement, the Capital Expansion Agreement and the JV Agreement are inter-conditional.

Based on the applicable size tests with respect to the formation of a joint venture in Holdco between the Company (through its indirect wholly-owned subsidiary) and the Fund, each of the relevant ratios under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%. However, the Company could not at this stage ascertain the highest possible monetary value of the exercise prices of the Default Sell Option and the Final Exit Option and the Company cannot rule out the possibility that the transaction in relation to the exercise of each of these options will constitute a very substantial disposal/acquisition for the Company in future. Pursuant to Rule 14.76(1) of the Listing Rules, the possible grant of each of the Default Sell Option and the Final Exit Option constitutes a very substantial disposal/acquisition for the Company. As such, Transaction A (including without limitation the possible grant of the Buy-back Option, the Default Sell Option, the Interim Exit Option and the Final Exit Option, the exercise of which are all not at the Group's discretion) constitutes a very substantial disposal/acquisition for the Company under the Listing Rules. Under Rule 14.49 of the Listing Rules, Transaction A is subject to the approval of the Shareholders in the SGM and is also subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The Company would seek approval of the Shareholders in the SGM with respect to the possible grant by MLLSPV of the Buy-back Option, the Default Sell Option, the Interim Exit Option and the Final Exit Option, the exercise of which are not at the Group's discretion, under the Shareholders' Agreement. No Shareholder is required to abstain from voting in the SGM for the approval of Transaction A. Pursuant to Rules 14.74 and 14.76(1) of the Listing Rules, the Company will inform the Stock Exchange of the relevant actual monetary values with respect to the said options as soon as they have been determined and announce by means of an announcement as soon as reasonably practicable on the exercise or transfer of each of such options. As regards the exercise of the Default Buy Option, the exercise of which is at the

Group's discretion, the Company will comply with the relevant requirements under the Listing Rules before the exercise of such option.

Since CMID is a subsidiary of China Minmetals and a fellow subsidiary of June Glory (the controlling shareholder of the Company and an indirect wholly-owned subsidiary of China Minmetals), CMID is a connected person of the Company. Based on the applicable size tests with respect to the participation of Holdco (through HKCo) by way of capital contribution of RMB884,800,000 (approximately HK\$1,010,353,120) in the capital expansion of the PRC JV under the Capital Expansion Agreement and the provision of the Working Capital Entrusted Loan, one of the relevant ratios under Rule 14.07 of the Listing Rules exceeds 100%. As such, Transaction B constitutes a very substantial acquisition and also a connected transaction for the Company under the Listing Rules. Under Rules 14.49 and 14A.17 of the Listing Rules, Transaction B is subject to the approval of the Independent Shareholders in the SGM by poll and is also subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules. June Glory (which held approximately 67.93% of the issued share capital of the Company as at the date of this announcement) and its associates will abstain from voting in the SGM for the approval of Transaction B.

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

A circular containing information regarding, amongst other matters, the Subscription Agreement, the Shareholders' Agreement, the Capital Expansion Agreement and the JV Agreement, the recommendations of the Independent Board Committee to the Independent Shareholders in relation to Transaction B, the advice of the independent financial adviser in connection with Transaction B, the property valuation report in respect of the Land and the notice of the SGM will be despatched to Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 17 September 2008 pending the publication of this announcement. The Company has applied for the resumption of trading in the Shares with effect from 9:30 a.m. on 25 September 2008.

## **Definitions**

“Affiliate”	(a) in relation to the Fund, an entity that is (i) Controlled by ASPF II; or (ii) managed by Pramerica Asia or by any entity Controlling by it or by any entity in common Control with Pramerica Asia; (b) in relation to MLLSPV, any entity that is Controlled by the Company; (c) in relation to any other entity (“ <b>Entity</b> ”), any entity that is Controlled by such Entity
“Anti-corruption Undertaking”	MLLSPV undertakes that (i) it will not, and will cause its agents, employees, officers, directors, shareholders, partners and representatives that are providing services to, associated with or

acting on behalf of the Holdco Group (collectively, the “**Representatives**”), and sub-contractors, if any, not to, directly or indirectly through a third-party intermediary, in connection with the Shareholders’ Agreement and the business resulting therefrom, offer, pay, promise to pay, or authorise the giving of money or anything of value to any Government Official for the purpose of inducing such Government Official to use his or her influence or position with the government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, in order to assist in obtaining or retaining business for, directing business to, or securing an improper advantage for the Holdco Group, and (ii) it will, and will cause its Representatives and sub-contractors, if any, to maintain books and records that accurately reflect any payment of money or thing of value to a Government Official, directly or indirectly, in connection with the Shareholders’ Agreement or the business or operations of the Holdco Group

“associate”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Days”	a day which is not a Saturday or Sunday or a bank or public holiday in Hong Kong or the PRC
“Capital Expansion Agreement”	the conditional capital expansion agreement dated 22 September 2008 and entered into amongst HKCo, CMID and the PRC JV in relation to the proposed capital expansion of the PRC JV as described in this announcement
“China Minmetals”	China Minmetals Corporation (中國五礦集團公司), a State-owned enterprise in the PRC, which owns 100% equity interest in China Minmetals H.K. (Holdings) Limited, which in turn owns 100% equity interest in June Glory
“CMID”	Minmetals Investment & Development Co., Ltd. (五礦投資發展有限公司), an enterprise incorporated under the laws of the PRC with limited liability, and the equity interest of which is 100% owned by China Minmetals
“Company”	Minmetals Land Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription Agreement in accordance with the provisions mentioned therein
“connected persons”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules

“Control”	<p>means, with respect to any Person:</p> <ul style="list-style-type: none"> <li>(i) the power (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) to appoint and/or remove all or such of the members of the board of directors or other governing body of such Person as are able to cast a majority of the votes capable of being cast by the members of that board or body on all, or substantially all, matters, or otherwise to control or have the power to control the policies and affairs of such Person; or</li> <li>(ii) the holding of the beneficial interest in and the ability to exercise the voting rights applicable to shares or other securities of any Person which confer in aggregate on the holders thereof more than 50% of the total voting rights exercisable at general meetings of such Person on all, or substantially all, matters;</li> </ul> <p>and “<b>Controlling</b>” and “<b>Controlled</b>” shall be construed accordingly</p>
“Directors”	the directors of the Company
“Estimated Full Profits”	<p>the estimated net profits of the Holdco Group on a consolidated basis which are legally available for distribution, which amount will be determined on the basis of the projected free cash flow of the PRC JV (up to and upon the liquidation of the PRC JV) to be determined by the Fund and MLLSPV after taking into account, amongst other matters, the following factors:</p> <ul style="list-style-type: none"> <li>(i) the actual revenue, cost of sales (including but not limited to land cost) and other operating expenses for the Saleable GFA having been sold;</li> <li>(ii) the revenue (based on estimated prevailing selling price of the Saleable GFA), cost of sales (including but not limited to land cost) and other operating expenses for the remaining unsold Saleable GFA estimated jointly by the Fund and MLLSPV;</li> <li>(iii) any general or corporate expenses of the Holdco Group assuming that the PRC JV will continue to operate for one year before its liquidation;</li> <li>(iv) the full payment of all outstanding liabilities and indebtedness (including without limitation, all bank loans and shareholder’s loans);</li> <li>(v) full provision of all relevant taxation in relation to the PRC JV and its business and operations and all other possible forms of taxation in relation to the Holdco Group which may have been incurred, charged and/or accrued up to and upon the liquidation of the PRC JV, assuming all the Saleable GFA has</li> </ul>

been sold; and

- (vi) all the expenses to be incurred by the Holdco Group in connection with and in the course of liquidation and cessation of business of the PRC JV and other members of the Holdco Group;

provided that (i) the Estimated Full Profits shall be the average of the Fund's determination thereof and MLLSPV's determination thereof to be arrived at according to valuation standards generally accepted in Hong Kong by an independent reputable valuation firm and/or other competent professionals recognised in Hong Kong appointed by the Fund and MLLSPV, respectively, and (ii) in the event the difference between the Fund's determination thereof and MLLSPV's determination thereof is more than 10% of the average of such determinations, then the revenue, cost of sales and other operating expenses for the unsold Saleable GFA shall be determined by an independent reputable valuation firm and/or other competent professionals recognised in Hong Kong (jointly appointed by the Fund and MLLSPV) in accordance with valuation standards generally acceptable in Hong Kong, and after taking into account the prevailing market conditions and transactions and the sales speed in respect of other comparable development projects in the vicinity of the Property Project, and any discount or growth allowed for reasonable marketing time and adjustment for bulk purchase shall be reflected in the results of valuation conducted by such jointly appointed valuation firm and/or competent professionals

“Fair Market Value”

the fair market value of the subject asset as mutually agreed to by the shareholders of Holdco and in the absence of any such agreement, the average of the Fund's determination thereof and MLLSPV's determination thereof, provided that in the event the difference between the Fund's determination thereof and MLLSPV's determination thereof is more than 10% of the average of such determinations, then such fair market value shall be determined by an independent investment bank of international repute or an independent internationally recognised valuation firm jointly appointed by the shareholders of Holdco

“Fund”

ASPF II Theta GmbH, a company incorporated under the laws of Germany with limited liability and a wholly-owned subsidiary of ASPF II

“Government Official”

includes any employee, agent or representative of a non-US government, and any non-US political party, party official or candidate, and may also include royalty, non-US legislators, representatives of non-US state-owned enterprises, and employees

of public international organisations (including but not limited to the United Nations, International Monetary Fund, World Bank and other international agencies and organizations), regardless of rank or position, and any individual acting on behalf of a Government Official

“Group”	the Company and its subsidiaries
“HKCo”	Glory Dragon Development Limited (御龍發展有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Holdco
“Holdco”	Ample Hope Investments Limited (富希投資有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Holdco Group”	Holdco and its subsidiaries, including the PRC JV on and after Completion
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria, being all of the independent non-executive Directors of the Company, which has been formed by the Board to advise the Independent Shareholders in respect of Transaction B
“Independent Shareholders”	the Shareholders other than June Glory and its associates, and excluding any Shareholder who has a material interest in Transaction B
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, is/are third party(ies) independent of the Company and connected persons of the Company
“June Glory”	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Minmetals H.K. (Holdings) Limited, which held approximately 67.93% of the issued share capital of the Company as at the date of this announcement and is the controlling shareholder of the Company
“JV Agreement”	the joint venture agreement dated 22 September 2008 and entered into between HKCo and CMID in relation to the establishment of the PRC JV as described in this announcement
“Land”	a parcel of land described as Lot Number: 2008G16 located at No. 188, Mengdu Avenue, Jianye District, Jiangsu Province, the PRC

	(中國南京市建鄴區夢都大街 188 號), with a land area of approximately 70,833.1 square metres
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“MLLSPV”	Add Honour Investments Limited (增榮投資有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Person”	means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, association or other entity or a governmental entity or any department, agency or political subdivision thereof
“Pramerica Asia”	Pramerica Real Estate Investors (Asia) Pte Ltd., a company incorporated under the laws of Singapore with limited liability
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC JV”	Minmetals Property Development Nanjing Co., Ltd. (五礦地產南京有限公司), an enterprise incorporated under the laws of the PRC with limited liability, and the equity interest of which is 100% owned by CMID as at the date of this announcement
“Property Project”	the real estate development project to be undertaken by the PRC JV on the Land including without limitation the development and construction of high-rise residential buildings, apartments, villas, retail properties and the related utilities
“Saleable GFA”	the total saleable gross floor area of the Property Project as approved by the relevant authorities in the PRC
“SGM”	a special general meeting of the Company to be convened to approve Transaction A and Transaction B
“Shares”	shares of par value of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of Shares
“Shareholders’ Agreement”	the shareholders’ agreement dated 16 September 2008 and entered into amongst the Fund, MLLSPV and Holdco with respect to Holdco, which will become effective on Completion and which sets out, amongst other things, the major terms in respect of the management and operations of the Holdco Group on and after Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Subscription Agreement”	the conditional subscription agreement dated 16 September 2008 and entered into amongst the Fund, MLLSPV and Holdco (as supplemented by a supplemental agreement dated 16 September 2008 amongst the Fund, MLLSPV and Holdco) in relation to the subscription for 4,853 and 5,146 new shares in Holdco by the Fund and MLLSPV, respectively, and the provision of shareholders’ loans in an amount of RMB360,000,000 (approximately HK\$411,084,000) and RMB381,800,000 (approximately HK\$435,977,420) to Holdco by the Fund and MLLSPV, respectively, for the purpose of raising capital in a total cash amount equivalent to RMB884,800,000 (approximately HK\$1,010,353,120) for the participation of Holdco (through HKCo) in the capital expansion of the PRC JV and the formation of a joint venture in the PRC JV between Holdco (through HKCo) and CMID
“Transaction A”	the entering into of and the transactions contemplated under the Subscription Agreement and the Shareholders’ Agreement in connection with the formation of a joint venture in Holdco between the Company (through its indirect wholly-owned subsidiaries) and the Fund for the purpose of the participation of Holdco (through HKCo) in the capital expansion of the PRC JV and the formation of a joint venture in the PRC JV between Holdco (through HKCo) and CMID
“Transaction B”	the entering into of and the transactions contemplated under the Capital Expansion Agreement and the JV Agreement in connection with the participation of Holdco (through HKCo) in the capital expansion of the PRC JV and the formation of a joint venture in the PRC JV between Holdco (through HKCo) and CMID
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	Percentage

*For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this announcement is based on the exchange rate of RMB1.00 to HK\$1.1419. Such conversion 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.*

By order of the Board  
**He Jianbo**  
*Managing Director*

Hong Kong, 24 September 2008

*As at the date hereof, the Board comprises nine directors, namely Mr. Zhou Zhongshu as the*

*Chairman and a non-executive director, Mr. Qian Wenchao, Mr. He Jianbo, Mr. Yan Xichuan, Mr. Yin Liang, and Ms. He Xiaoli as executive directors and Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria as independent non-executive directors.*

*\* For identification purpose only*