
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 a stockbroker or other registered 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, together with the enclosed form of proxy, to the purchaser(s) or the 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 the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



五礦地產有限公司 **MINMETALS LAND LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

CONTINUING CONNECTED TRANSACTIONS PROVISION OF SPECIALISED CONSTRUCTION SERVICES AND CONTINUING CONNECTED TRANSACTIONS REVISION OF ANNUAL CAPS IN RESPECT OF THE 2017 CONSTRUCTION AGREEMENT AND MAJOR TRANSACTION AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

A letter from the Board is set out on pages 6 to 24 of this circular.

A letter from the Independent Board Committee is set out on pages 25 to 26 of this circular.

A letter from Red Sun containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Specialised Construction Framework Agreement and the revision of annual caps for the 2017 Construction Agreement is set out on pages 27 to 51 of this circular.

A letter from Able Capital containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Financial Services Framework Agreement is set out on pages 52 to 65 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 Thursday, 31 May 2018 immediately after the conclusion of the AGM to be held at the same location on Thursday, 31 May 2018 at 10:30 a.m. is set out on pages SGM-1 to SGM-3 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 Tuesday, 29 May 2018. 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.

14 May 2018

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	25
Letter from Red Sun	27
Letter from Able Capital	52
Appendix I — Financial Information of the Group	I-1
Appendix II — General Information	II-1
Notice of SGM	SGM-1

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“2015 Circular”	the circular dated 24 November 2015 issued by the Company in respect of the 2015 Financial Services Agreement and the 2015 Continuing Financial Services Transactions
“2015 Continuing Financial Services Transactions”	the continuing connected transactions entered into between the Company and Minmetals Finance pursuant to the 2015 Financial Services Agreement
“2015 Financial Services Agreement”	the financial services framework agreement dated 3 November 2015 entered into between the Company and Minmetals Finance in relation to the financial services provided or to be provided by Minmetals Finance to the Company and its subsidiaries in Mainland China for the period from 1 January 2016 to 31 December 2018
“2017 Construction Agreement”	the agreement dated 19 April 2017 entered into between 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 existing and future real estate development projects of the Group in the PRC and Hong Kong for the three years from 19 April 2017 to 18 April 2020
“2017 Disclosure”	the announcement and circular of the Company dated 19 April 2017 and 12 May 2017 respectively in relation to the 2017 Construction Agreement
“2017–2020 Construction Annual Caps”	the existing annual caps for the construction contracts under the 2017 Construction Agreement for the three years from 19 April 2017 to 18 April 2020
“Able Capital”	Able Capital Partners Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser that has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Framework Agreement, the Continuing Financial Services Transactions and the Proposed Financial Services Caps
“AGM”	the annual general meeting of the Company to be convened and held at Monet Room B, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 31 May 2018 at 10:30 a.m.

DEFINITIONS

“associate(s)”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder”	each shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBRC”	the China Banking Regulatory Commission
“China Minmetals”	China Minmetals Corporation, a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder holding approximately 61.91% of the issued share capital of the Company as at the Latest Practicable Date
“China Minmetals Group”	China Minmetals and (i) its subsidiaries; and (ii) entities whose financial statements have been accounted for in the financial statements of China Minmetals on a consolidated basis
“CMCL”	中國五礦股份有限公司 China Minmetals Corporation Limited*, a company established under the laws of the PRC with limited liabilities, is a non wholly-owned subsidiary of China Minmetals and an intermediate controlling shareholder holding approximately 61.91% of the issued share capital of the Company as at the Latest Practicable Date
“Company”	Minmetals Land Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Continuing Financial Services Transactions”	the continuing connected transactions between the Company and Minmetals Finance pursuant to the Financial Services Framework Agreement
“Continuing Specialised Construction Services”	the continuing connected transactions that may be entered into between the Group and the China Minmetals Group pursuant to the terms of the Specialised Construction Framework Agreement, details of which are referred to under the section headed “Specialised Construction Framework Agreement” in this circular
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Financial Services Framework Agreement”	the financial services framework agreement dated 20 April 2018 entered into between the Company and Minmetals Finance in relation to the financial services to be provided by Minmetals Finance to the Company and its subsidiaries in Mainland China for the three years from 20 April 2018 to 19 April 2021
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, which has been formed by the Board to advise the Independent Shareholders in respect of each of the Specialised Construction Framework Agreement, the Proposed New 2018–2020 Annual Caps and the Financial Services Framework Agreement
“Independent Shareholders”	Shareholder(s) other than June Glory and its associates, and any Shareholder who has a material interest in (1) the Specialised Construction Framework Agreement and the Continuing Specialised Construction Services; (2) the Proposed New 2018–2020 Annual Caps for the 2017 Construction Agreement; and (3) the Financial Services Framework Agreement and the Continuing Financial Services Transactions, as the case may be
“June Glory”	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability, is a non wholly-owned subsidiary of China Minmetals and the immediate controlling shareholder holding approximately 61.91% of the issued share capital of the Company as at the Latest Practicable Date
“Latest Practicable Date”	9 May 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange 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)

DEFINITIONS

“Minmetals Finance”	五礦集團財務有限責任公司 Minmetals Finance Co., Ltd.*, a limited liability company established under the laws of the PRC which is owned as to 92.5% by CMCL (which is in turn owned as to approximately 88.4% by China Minmetals, approximately 9.5% by the State-owned Assets Supervision and Administration Commission of Hunan Province of the PRC and approximately 2.1% by an independent third party) and 7.5% by Minmetals Capital Holdings Limited (a subsidiary of China Minmetals)
“Minmetals HK”	China Minmetals H.K. (Holdings) Limited, a company incorporated in Hong Kong with limited liability, is a non-wholly owned subsidiary of China Minmetals and an intermediate controlling shareholder holding approximately 61.91% of the issued share capital of the Company as at the Latest Practicable Date
“PBOC”	the People’s Bank of China, the central bank of the PRC
“Proposed Financial Services Caps”	the proposed caps for deposit transactions contemplated under the Financial Services Framework Agreement for the three years from 20 April 2018 to 19 April 2021, as set out in the section headed “Proposed Financial Services Caps” in this circular
“Proposed New 2018–2020 Annual Caps”	the proposed and revised annual caps for the construction contracts under the 2017 Construction Agreement for the period from 1 January 2018 to 18 April 2020 as set out in the section headed “Proposed New 2018–2020 Annual Caps” in this circular
“Proposed Specialised Construction Services Annual Caps”	the proposed annual caps for the Continuing Specialised Construction Services for the three years from 20 April 2018 to 19 April 2021 as set out in the section headed “Specialised Construction Framework Agreement” in this circular
“Red Sun”	Red Sun 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 and the independent financial adviser that has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of each of the Specialised Construction Framework Agreement, the Continuing Specialised Construction Services, the Proposed Specialised Construction Services Annual Caps and the Proposed New 2018–2020 Annual Caps
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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 and held at Monet Room B, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 31 May 2018 immediately after the conclusion of the AGM for the Independent Shareholders to consider and approve the Specialised Construction Framework Agreement, the Proposed New 2018–2020 Annual Caps and the Financial Services Framework Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holders of Share(s)
“Specialised Construction Framework Agreement”	the agreement dated 20 April 2018 entered into between the Company and China Minmetals in relation to the engagement of member(s) of the Group as specialised construction contractor(s) (subject to successful tender) in respect of the real estate development projects and construction projects of the China Minmetals Group for the three years from 20 April 2018 to 19 April 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yau Tong Project”	the Group’s real estate development project in Yau Tong, Hong Kong
“%”	percentage

For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this circular is calculated at the exchange rate of RMB1.00 to HK\$1.2412. 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.

** For identification purpose only*



五礦地產有限公司
MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

Non-executive Director:

Mr. Li Fuli, *Chairman*

Executive Directors:

Mr. He Jianbo, *Deputy Chairman*
and *Managing Director*

Ms. He Xiaoli

Mr. Liu Zeping

Mr. Yang Shangping

Independent Non-executive Directors:

Mr. Selwyn Mar

Mr. Lam Chung Lun, Billy

Ms. Law Fan Chiu Fun, Fanny

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business
in Hong Kong:

18th Floor
China Minmetals Tower
79 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

14 May 2018

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
PROVISION OF SPECIALISED CONSTRUCTION SERVICES
AND
CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAPS
IN RESPECT OF THE 2017 CONSTRUCTION AGREEMENT
AND
MAJOR TRANSACTION AND
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the announcement of the Company dated 20 April 2018, in respect of, among other things:

- (i) the Specialised Construction Framework Agreement entered into by the Company and China Minmetals, pursuant to which the Group may seek appointment by the China Minmetals Group as specialised construction contractor(s) for the China Minmetals Group's real estate development projects and construction projects in the PRC and Hong Kong, subject to successful tender, for a term of three years from 20 April 2018 to 19 April 2021; and
- (ii) the proposed revision of the annual caps under the 2017 Construction Agreement to the Proposed New 2018–2020 Annual Caps for the period from 1 January 2018 to 18 April 2020 to cater for the transactions contemplated under the 2017 Construction Agreement.

Further reference is made to the announcement of the Company dated 20 April 2018, in respect of, among other things, the Financial Services Framework Agreement entered into by the Company and Minmetals Finance, pursuant to which the Company retains Minmetals Finance to provide the financial services as detailed in the 2015 Financial Services Agreement to the Group.

The purpose of this circular, to which this letter forms a part of, is to give you a notice of the SGM and to provide you with, among other things, further particulars of (i) the Specialised Construction Framework Agreement and the transactions contemplated thereunder, (ii) the Proposed New 2018–2020 Annual Caps and (iii) the Financial Services Framework Agreement and the transactions contemplated thereunder.

2. SPECIALISED CONSTRUCTION FRAMEWORK AGREEMENT

Specialised Construction Framework Agreement

Date	:	20 April 2018
Parties	:	(i) the Company (ii) China Minmetals
Term	:	Three years commencing from 20 April 2018 to 19 April 2021

LETTER FROM THE BOARD

- Subject matter : The China Minmetals Group may from time to time invite member(s) of the Group to tender for specialised construction contract(s) in accordance with the China Minmetals Group's tender procedure and general conditions offered to independent bidders (including general provisions for adjusting construction amounts due to, for example, changes to projects). Subject to successful tender, the China Minmetals Group shall engage member(s) of the Group as specialised construction contractor(s) in respect of existing and future real estate development projects and construction projects of the China Minmetals Group, provided that the total contract sums of the specialised construction contract(s) to be awarded by the China Minmetals Group to member(s) of the Group during each of the three years from 20 April 2018 to 19 April 2021 shall not exceed the Proposed Specialised Construction Services Annual Caps.
- Condition : The Specialised Construction Framework Agreement will take effect upon the Company obtaining the Independent Shareholders' approval at the SGM.
- Pricing policy : The Group would estimate the costs of specialised construction contracts based on (i) the direct material costs as quoted from suppliers and refer to the prevailing market prices; (ii) the fabrication costs as quoted from fabricators or refer to historical data of the Group; and (iii) other preliminary costs including insurance, design fee and project management fees. The Group will then apply an appropriate gross profit margin after taking into consideration the scale of the specialised construction work contracts. As the determination of the tender price shall take into account, among others, the cost estimation as well as profit estimation, the personnel authorising the submission of tender shall ensure the estimated profit margin expected to be derived from the subject contract to be in line with profit margin derived from similar independent third party projects by the Group in the past.

LETTER FROM THE BOARD

- Tender submission procedures : The Group adopts a set of standard tender submission procedures on the specialised construction contracts which involves:
- (i) receiving tenders or invitation for quotation notices, followed by the general manager of the tender department reviewing the project scale, and other factors of the projects to prepare the preliminary assessment reports;
 - (ii) initial assessment of projects, which would involve the general manager of the tender department conducting analysis on the project in respect of profit analysis, technical feasibility, competitive environment studies, project planning, cost estimation as well as profit estimation, risk assessment, human resources planning, initial cash flow outlay and tender pricing, the aforesaid assessment enable the tender department to have a comprehensive evaluation of the costs and the corresponding profit to be derived from the subject contract; and
 - (iii) preparation of tender reports based on the initial assessment of projects, and that such tender reports, which covers price of tender should be authorised by the general manager of the tender department and/or the management of the Group based on the initial assessment of projects and such personnel shall approve tender submission, where appropriate, after taking into account the information available to the Company at the relevant time.

Proposed Specialised Construction Services Annual Caps

Having considered the relevant factors, including the estimated amount of specialised construction contracts for the China Minmetals Group's existing and potential real estate development projects of and construction projects undertaken or may be undertaken from time to time by the China Minmetals Group, the likelihood of member(s) of the Group to participate in the project tender, the estimated scope of specialised construction works in respect of the China Minmetals Group's real estate development projects, the estimated relevant specialised construction price on a per square metre basis and the expected progress of the specialised construction works, the Company estimates that the total contract sums of the China Minmetals Group's specialised construction contracts which may be awarded to member(s) of the Group

LETTER FROM THE BOARD

under the Specialised Construction Framework Agreement for the three years from 20 April 2018 to 19 April 2021 will not exceed the Proposed Specialised Construction Services Annual Caps as set out below:

For the periods commencing from			
20 April 2018 to 31 December 2018	1 January 2019 to 31 December 2019	1 January 2020 to 31 December 2020	1 January 2021 to 19 April 2021
RMB935.23 million (approximately HK\$1,160.80 million)	RMB794.09 million (approximately HK\$985.62 million)	RMB846.77 million (approximately HK\$1,051.01 million)	RMB503.87 million (approximately HK\$625.40 million)

Under typical specialised construction contracts obtained by the Group, the contract sum will be payable with reference to specific work stages or milestones achieved in various aspects of work. In general, an aggregate of 95% of the final contract sum will be paid according to a payment schedule, and the remaining 5% will be payable after the expiry of the defect liability period.

The table below sets out the estimated amount of potential specialised construction contracts that may be awarded to the Group during the term of the Specialised Construction Framework Agreement:

Locations	Size of contracts and number of contracts	Proposed Specialised Construction Services Annual Caps			
		20 April 2018 to 31 December 2018	1 January 2019 to 31 December 2019	1 January 2020 to 31 December 2020	1 January 2021 to 19 April 2021
PRC, including projects located in Changsha, Nanjing, Shanghai, Shenyang (contracts for various development projects and properties, ranging from convention centre, offices, residential properties)	Potential contract size per year: ranging from less than RMB1 million to RMB100 million Number of contracts: 24	approximately RMB538.84 million (approximately HK\$668.80 million)	approximately RMB350.00 million (approximately HK\$434.42 million)	approximately RMB400.00 million (approximately HK\$496.48 million)	approximately RMB180.00 million (approximately HK\$223.41 million)
Hong Kong and Macau (including office building, theme park and hotel resort)	Potential contract size per year: ranging from less than HK\$80 million to HK\$470 million Number of contracts: 3	approximately RMB396.39 million (approximately HK\$492.00 million)	approximately RMB444.09 million (approximately HK\$551.20 million)	approximately RMB446.77 million (approximately HK\$554.53 million)	approximately RMB323.87 million (approximately HK\$401.99 million)

LETTER FROM THE BOARD

Reasons for and benefits of entering into the transactions contemplated under the Specialised Construction Framework Agreement

In view of the portfolio of real estate development projects and the expanding construction business of the China Minmetals Group, it is anticipated that the China Minmetals Group will, in the coming few years, actively invite tenders for specialised construction works relating to its real estate development projects and construction projects.

The Proposed Specialised Construction Services Annual Caps represent the best estimates made by the Group based on the information currently available (including types of specialised construction to be constructed, development schedule and prevailing market conditions) and, in particular, the estimated amount of specialised construction contracts for the China Minmetals Group's existing real estate development projects and construction projects undertaken or may be undertaken from time to time by the China Minmetals Group. The Proposed Specialised Construction Services Annual Caps are set to allow the Group to capitalize on the maximum benefit from the best estimated opportunities that may be available to it and should not be construed as the actual amount of specialised construction contract(s) that the China Minmetals Group will award to member(s) of the Group.

The participation in the bidding process for specialised construction contract(s) of the China Minmetals Group will enable the Group to enlarge its market share, increase its operating revenue, enhance market competitiveness and boost brand building in the sector. The entering into of the Specialised Construction Framework Agreement would avoid the lengthy approval process which would otherwise require the approval of Independent Shareholders in a special general meeting of the Company for each specific instance.

Shareholders and potential investors should note that the China Minmetals Group may or may not undertake any future real estate development projects and/or construction projects up to the potential size projected by the Company and appoint member(s) of the Group as specialised construction contractor(s) in relation to future tenders for the China Minmetals Group's existing and/or future real estate development projects and construction projects, or if appointed, to take up specialised construction works up to the level of the Proposed Specialised Construction Services Annual Caps. The Proposed Specialised Construction Services Annual Caps therefore have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

3. REVISION OF ANNUAL CAPS FOR THE 2017 CONSTRUCTION AGREEMENT AND THE PROPOSED NEW 2018–2020 ANNUAL CAPS

Background

As the Group may wish to consider possible tenders that may be made by member(s) of the China Minmetals Group for its construction works, including the Yau Tong Project, under the 2017 Agreement and given the size of the Yau Tong

LETTER FROM THE BOARD

Project, the likely total contract sum that may be awarded to the China Minmetals Group from 1 January 2018 to 18 April 2020, including any works tendered for the Yau Tong Project, if successful, may exceed the 2017–2020 Construction Annual Caps. Accordingly, the Board wishes to revise the annual caps to cater for the transactions contemplated under the 2017 Construction Agreement in this respect.

Existing annual caps under the 2017 Construction Agreement

As disclosed in the 2017 Disclosure, the existing annual caps under the 2017 Construction Agreement for each of the periods from 19 April 2017 to 31 December 2017, 1 January 2018 to 31 December 2018, 1 January 2019 to 31 December 2019 and 1 January 2020 to 18 April 2020 were expected to be not more than RMB2,000 million (approximately HK\$2,482 million), RMB1,850 million (approximately HK\$2,296 million), RMB1,850 million (approximately HK\$2,296 million) and RMB960 million (approximately HK\$1,192 million), respectively.

Historical amounts for transactions under the 2017 Construction Agreement

For the period from 19 April 2017 to 31 December 2017, the actual amount of the Group's construction contracts awarded to members of the China Minmetals Group under the 2017 Construction Agreement amounted to approximately RMB1,074 million (approximately HK\$1,333 million).

As at the Latest Practicable Date, the actual amount of the Group's construction contracts awarded to members of the China Minmetals Group under the 2017 Construction Agreement since 1 January 2018 amounted to approximately RMB908 million (approximately HK\$1,127 million), representing approximately 49% of the relevant original annual cap for such period.

Accordingly, as at the Latest Practicable Date, the actual amounts of construction contracts awarded to members of the China Minmetals Group under the 2017 Construction Agreement were still within the 2017–2020 Construction Annual Caps.

Proposed New 2018–2020 Annual Caps

Having considered the relevant factors, including the possible award of construction contracts in respect of the Yau Tong Project to member(s) of the China Minmetals Group, the Company estimates that the total contract sums of the construction contracts which can be awarded to member(s) of the China Minmetals Group are as follows:

For the periods commencing from		
1 January 2018 to 31 December 2018	1 January 2019 to 31 December 2019	1 January 2020 to 18 April 2020
RMB6,085.49 million (approximately HK\$7,553.31 million)	RMB3,711.28 million (approximately HK\$4,606.44 million)	RMB2,798.02 million (approximately HK\$3,472.90 million)

LETTER FROM THE BOARD

Reasons for and benefits of revising the annual caps under the 2017 Construction Agreement

In view that the Group may wish to consider possible tenders that may be made by member(s) of the China Minmetals Group for its construction works, including the Yau Tong Project, and given the size of the Yau Tong Project, the likely total contract sum that may be awarded to the China Minmetals Group from 1 January 2018 to 18 April 2020, including any works tendered for the Yau Tong Project, if successful, may exceed the 2017–2020 Construction Annual Caps.

Moreover, the Group has adopted a strategy to expand the real estate development business in Hong Kong. As disclosed in the 2017 Disclosure, there are members of the China Minmetals Group that possess class I qualifications in building construction and accordingly, the Company intends to invite those China Minmetals Group members to place tenders for its construction contracts. As such, it is likely that the opportunities of inviting member(s) of the China Minmetals Group to place tender for construction contract(s) of the Group's new real estate development projects in Hong Kong from 1 January 2018 to 18 April 2020 will be increased.

Accordingly, the Board wishes to revise the annual caps to cater for the transactions contemplated under the 2017 Construction Agreement for the period from 1 January 2018 to 18 April 2020.

The Proposed New 2018–2020 Annual Caps represent the best estimates made by the Group based on the information currently available (including types of property to be constructed, development schedule and prevailing market conditions) and, in particular, the estimated amount of construction contracts for the Group's existing and future real estate development projects in the PRC and Hong Kong. The Proposed New 2018–2020 Annual Caps are set to allow the Group to capitalize on the maximum contract sum that can be awarded to member(s) of the China Minmetals Group and should not be construed as the actual amount of construction contracts that the Group may award to member(s) of the China Minmetals Group. The purpose of revising the annual caps under the 2017 Construction Agreement is to avoid undue delay in the construction progress of the relevant projects which will otherwise have to seek approval of Independent Shareholders in a special general meeting of the Company for each specific instance.

Shareholders and potential investors should note that the Group may or may not participate or be successful in any future tender of real estate development projects and if successful, may or may not appoint member(s) of the China Minmetals Group as construction contractor(s) in relation to future tenders for the Group's real estate development projects in the PRC and Hong Kong, or if appointed, to award construction works up to the level of the Proposed New 2018–2020 Annual Caps. The Proposed New 2018–2020 Annual Caps therefore have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

LETTER FROM THE BOARD

4. FINANCIAL SERVICES FRAMEWORK AGREEMENT

Financial Services Framework Agreement

Date : 20 April 2018

Parties : (i) the Company
(ii) Minmetals Finance

Subject matter : **Financial Services**

Minmetals Finance shall provide the following financial services to the Company and its subsidiaries in Mainland China on normal commercial terms, on terms (including interest) no less favourable to the Company and its subsidiaries in Mainland China than those that could be obtained from independent third parties and on terms (including interest) which are the most favourable to the Company and its subsidiaries in Mainland China as compared to the terms offered by Minmetals Finance to subsidiaries of China Minmetals:

(i) Current and fixed deposit services:

Minmetals Finance shall provide deposit services to the Company and its subsidiaries in Mainland China.

Interest rate for the deposits placed with Minmetals Finance by the Company and its subsidiaries in Mainland China shall not be lower than (a) the highest interest rate for comparable category of deposits offered by other major PRC commercial banks with which the Company and its subsidiaries in Mainland China have established business relationship; and (b) the highest interest rate offered by Minmetals Finance to other subsidiaries of China Minmetals for comparable category of deposits, whichever is higher.

(ii) Loan services:

Minmetals Finance shall provide loan services to the Company and its subsidiaries in Mainland China and no security over the assets of the Group shall be granted to Minmetals Finance for any of such loans.

LETTER FROM THE BOARD

Interest rate to be charged by Minmetals Finance for the provision of loans to the Company and its subsidiaries in Mainland China shall not be higher than (a) the lowest interest rate for comparable category of loans charged by other major PRC commercial banks with which the Company and its subsidiaries in Mainland China have established business relationship; and (b) the lowest interest rate charged by Minmetals Finance on other subsidiaries of China Minmetals for comparable category of loans, whichever is lower.

(iii) Settlement services:

All settlement services to be provided by Minmetals Finance to the Company and its subsidiaries in Mainland China under the Financial Services Framework Agreement will be free of handling charge.

Non-exclusivity

The Company and its subsidiaries in Mainland China have the right to use other financial services providers according to operational needs and to determine the deposit and loan amounts as well as the schedule for withdrawal of deposits (other than fixed deposits with specified deposit terms).

Term of the Financial Services Framework Agreement

The Financial Services Framework Agreement shall become effective upon the Company obtaining the Independent Shareholders' approval at the SGM and shall expire on 19 April 2021.

The 2015 Financial Services Agreement will automatically be terminated upon the Financial Services Framework Agreement becoming effective.

Upon expiry, the Company and Minmetals Finance may enter into further agreement or renew the Financial Services Framework Agreement for further period to be agreed, unless the Financial Services Framework Agreement has been terminated by notice by either party in accordance with the terms stipulated therein.

LETTER FROM THE BOARD

The obligations of the Company under the Financial Services Framework Agreement are subject to full compliance by the Company with all requirements under the Listing Rules applicable to continuing connected transactions. The Company may suspend performance of its obligations under the Financial Services Framework Agreement until such relevant requirements are complied with.

Termination

The Financial Services Framework Agreement may be terminated under any of the following circumstances:

- (i) by mutual agreement between the parties;
- (ii) if a party to the Financial Services Framework Agreement has breached or failed to comply with the Financial Services Framework Agreement or any agreement in connection therewith and fails to rectify such breach or non-compliance within the prescribed period, the non-defaulting party may terminate the Financial Services Framework Agreement by notice in writing to the other party;
- (iii) if a party to the Financial Services Framework Agreement has committed a material breach of the Financial Services Framework Agreement or any agreement in connection therewith, the non-defaulting party may terminate the Financial Services Framework Agreement; or
- (iv) the Company may terminate the Financial Services Framework Agreement if Minmetals Finance fails to satisfy any of the following conditions from time to time:
 - (a) the capital adequacy ratio is not less than 10%;
 - (b) the non-performing assets ratio is not more than 4%; or
 - (c) the non-performing loans ratio is not more than 5%.

LETTER FROM THE BOARD

Proposed Financial Services Cap

As disclosed in the 2015 Circular, the historical annual caps in respect of the 2015 Continuing Financial Services Transactions for each of the two years ended 31 December 2016 and 2017 and the year ending 31 December 2018 were RMB1,800 million (approximately HK\$2,234.16 million).

Historical transaction amounts between the Company and Minmetals Finance under the 2015 Financial Services Agreement are as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the period from 1 January 2018 to the Latest Practicable Date
Maximum daily outstanding balance of deposits (including accrued interests)	approximately RMB1,798 million (approximately HK\$2,231.7 million)	approximately RMB1,796 million (approximately HK\$2,229.2 million)	approximately RMB1,796 million (approximately HK\$2,229.2 million)

The Proposed Financial Services Caps on the maximum daily outstanding balance of deposits (including accrued interests) placed by the Company and its subsidiaries in Mainland China with Minmetals Finance pursuant to the Financial Services Framework Agreement are as follows:

	From 20 April 2018 to 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020	From 1 January 2021 to 19 April 2021
Maximum daily outstanding balance of deposits (including accrued interests)	RMB2,000 million (approximately HK\$2,482.4 million)	RMB2,000 million (approximately HK\$2,482.4 million)	RMB2,000 million (approximately HK\$2,482.4 million)	RMB2,000 million (approximately HK\$2,482.4 million)

The Proposed Financial Services Caps were calculated on the basis of several factors, including the following:

- (1) the historical transaction figures as stated above;
- (2) strategies of the treasury management of the Company taking into account the cash flow requirements and financial needs of the Group for its business development plans; and
- (3) expected increase in sales revenue and the expected amount of cash of the Company and its subsidiaries in Mainland China in the three years ending 31 December 2021, taking into account in particular the expected growth in the Group's business.

LETTER FROM THE BOARD

Internal Control and Risk Management Measures

In order to safeguard the interests of the Shareholders, the Group will continue to adopt, and/or will continue to procure Minmetals Finance to maintain, the following guidelines and principles in monitoring the transactions between the Company and its subsidiaries in Mainland China and Minmetals Finance under the Financial Services Framework Agreement:

- (1) specifically designated personnel from Minmetals Finance shall be responsible for operations and monitoring of the transactions contemplated under the Financial Services Framework Agreement;
- (2) Minmetals Finance shall co-ordinate with the internal audit department and/or external auditors of the Company to review the transactions contemplated under the Financial Services Framework Agreement and the relevant internal controls;
- (3) Minmetals Finance shall assist the Company to comply with the relevant regulations (including but not limited to the Listing Rules);
- (4) Minmetals Finance shall ensure the safe operation of its settlement management network and safeguard the funds of the Company and its subsidiaries in Mainland China;
- (5) Minmetals Finance shall strictly comply with the applicable risk management specifications issued by the CBRC and the relevant PRC laws and regulations as amended from time to time;
- (6) specifically designated personnel from the finance department of the Company will be responsible for regular monitoring of the transactions and will report to the management of the Company on a monthly basis in relation to the transactions;
- (7) the finance department of the Company will report to the independent non-executive Directors on a monthly basis in relation to the transactions;
- (8) the Company will review the transactions on an annual basis, summarise the experience and supplement the inadequacies;
- (9) before making a deposit with or seeking a loan from Minmetals Finance, the Company and its subsidiaries in Mainland China would compare the interest rates offered by Minmetals Finance with the interest rates offered by two or three major commercial banks or financial institutions with which the Company and its subsidiaries in Mainland China have established business relationship;

LETTER FROM THE BOARD

- (10) the Company or its relevant subsidiaries in Mainland China shall obtain prior written approval from (i) at least one executive Director for the placing of any deposits by the Company or its relevant subsidiaries in Mainland China with Minmetals Finance and (ii) at least two executive Directors for the placing of any deposits by the Company or its relevant subsidiaries in Mainland China with Minmetals Finance where the daily outstanding balance of deposits (including accrued interests) placed by the Company and its subsidiaries in Mainland China with Minmetals Finance would amount to RMB200 million or more;
- (11) any fixed deposits placed with Minmetals Finance by the Company or any of its subsidiaries in Mainland China shall not exceed 3 months;
- (12) the arrangement between the Company and Minmetals Finance under the Financial Services Framework Agreement is non-exclusive, and the Company and its subsidiaries in Mainland China have their own discretion in selecting the provider for financial services; and
- (13) the Company may terminate the Financial Services Framework Agreement if Minmetals Finance fails to satisfy any of the following conditions from time to time:
 - (a) the capital adequacy ratio is not less than 10%;
 - (b) the non-performing assets ratio is not more than 4%; or
 - (c) the non-performing loans ratio is not more than 5%.

Reasons for and benefits of entering into the transactions contemplated under the Financial Services Framework Agreement

Minmetals Finance is a non-banking financial institution subject to the supervision of the CBRC. It is authorized to provide a variety of financial services including deposit services, loan services and settlement services to members of China Minmetals including the Group.

While the 2015 Agreement would last until 31 December 2018, the Company is taking the opportunity to review its key continuing connected transactions with the members of China Minmetals and is satisfied with the current and fixed deposit services, loan services and settlement services provided by Minmetals Finance. In view of the need to secure the stable provision of such financial services under the Financial Services Framework Agreement by Minmetals Finance to the Group in the anticipation of rising interest rates and the tightening credit market in the near future, the Company is desirous to renew the 2015 Financial Services Agreement in the early time of this year.

LETTER FROM THE BOARD

The reasons for and benefits of entering into the Financial Services Framework Agreement are as follows:

- (1) The Financial Services Framework Agreement provides the Company and its subsidiaries in Mainland China with an option to obtain financial services on terms (including interest) which are no less favourable than those available from other independent PRC commercial banks and are the most favourable to the Company and its subsidiaries in Mainland China as compared to the terms offered by Minmetals Finance to subsidiaries of China Minmetals.
- (2) Under the Financial Services Framework Agreement, the Company and its subsidiaries in Mainland China can obtain unsecured loans from Minmetals Finance, thus providing the Company and its subsidiaries in Mainland China with an additional channel for financing.
- (3) The Financial Services Framework Agreement can also help enhance return on surplus funds and reduce finance costs due to favourable interest rates for deposits and loans as well as utilisation of settlement services free of handling charge.
- (4) The Company is expected to benefit from Minmetals Finance's better understanding of the operations of the Company and its subsidiaries in Mainland China which will allow more expedient and efficient services than those rendered by other PRC commercial banks.
- (5) Minmetals Finance is subject to the supervision of the CBRC and provides its services in accordance with the rules and operational requirements of the CBRC. The Company believes that the risk profile of Minmetals Finance, as a financial services provider to the Company and its subsidiaries in Mainland China, is not greater than that of independent commercial banks in the PRC.
- (6) Under the relevant rules of the PBOC and the CBRC, the clients of Minmetals Finance are restricted to China Minmetals and its subsidiaries (including the Group). Minmetals Finance is hence exposed to a lower level of potential risk than if clients included external entities.

5. INFORMATION ABOUT THE PARTIES

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

China Minmetals is a state-owned enterprise established under the laws of the PRC principally engaged in the business of exploration, mining, smelting, processing and trading for metals and minerals, finance, real estate development, and mining and metallurgic technology.

LETTER FROM THE BOARD

Minmetals Finance, a subsidiary of China Minmetals, is a non-banking financial institution established in the PRC on 26 May 1993 under the approval of the PBOC. It is principally engaged in the provision of financial services to China Minmetals and its subsidiaries (including the Group). It is subject to the supervision of the CBRC. According to its business licence, it is authorised to provide to the Company and its subsidiaries in Mainland China all services set out in the Financial Services Framework Agreement.

6. LISTING RULES IMPLICATIONS

Listing Rules implications in relation to the Specialised Construction Framework Agreement

June Glory (the immediate controlling shareholder of the Company) is a non-wholly owned subsidiary of China Minmetals and accordingly, China Minmetals is a connected person of the Company under the Listing Rules.

Since the Proposed Specialised Construction Services Annual Caps exceed HK\$10,000,000 and certain relevant percentage ratios are, on an annual basis, more than 5%, the Continuing Specialised Construction Services provided under the Specialised Construction Framework Agreement constitute non-exempt continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Listing Rules implications in relation to the revision of the annual caps under the 2017 Construction Agreement

June Glory (the immediate controlling shareholder of the Company) is a non-wholly owned subsidiary of China Minmetals and accordingly, China Minmetals is a connected person of the Company under the Listing Rules.

Since the Proposed New 2018–2020 Annual Caps exceed HK\$10,000,000 and all of the relevant percentage ratios are, on an annual basis, more than 5%, the construction services in respect of the 2017 Construction Agreement under the new caps constitute non-exempt continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Listing Rules implications in relation to the Financial Services Framework Agreement

Since Minmetals Finance is a subsidiary of China Minmetals, the ultimate controlling shareholder of the Company, Minmetals Finance is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As one of the applicable percentage ratios for the deposits that the Group may place with Minmetals Finance under the deposit services provided by Minmetals Finance under the Financial Services Framework Agreement exceeds 25% but all of which are less than 100%, the provision of deposit services by Minmetals Finance constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since each of the applicable percentage ratios for the deposits that the Group may place with Minmetals Finance under the deposit services provided by Minmetals Finance under the Financial Services Framework Agreement exceeds 5%, it is subject to reporting, announcement and independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The provision of loan services by Minmetals Finance under the Financial Services Framework Agreement constitutes financial assistance to be provided by a connected person for the benefit of the Group. Since such services will be on normal commercial terms, on terms (including interest) no less favourable to the Company and its subsidiaries in Mainland China than those that could be obtained from independent third parties, and no security over the assets of the Group shall be granted in respect of the loans to be provided by Minmetals Finance, it is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

As the settlement services to be provided by Minmetals Finance to the Company and its subsidiaries in Mainland China under the Financial Services Framework Agreement will be free of handling charge, it is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

7. SGM

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 Thursday, 31 May 2018 immediately after the conclusion of the AGM to be held at the same location on Thursday, 31 May 2018 at 10:30 a.m. is set out on pages SGM-1 to SGM-3 of this circular. At the SGM, ordinary resolutions will be proposed and, if thought fit, passed to approve the Specialised Construction Framework Agreement (including the Proposed Specialised Construction Services Annual Caps), the Proposed New 2018–2020 Annual Caps and the Financial Services Framework Agreement (including the Proposed Financial Services Caps).

In view of the connection between China Minmetals and June Glory, June Glory and its associates are required to abstain from voting on the resolutions approving the Specialised Construction Framework Agreement (including the Proposed Specialised Construction Services Annual Caps), the Proposed New 2018–2020 Annual Caps and the Financial Services Framework Agreement (including the Proposed Financial Services Caps) at the SGM in accordance with Rule 14A.36 of the Listing Rules. As at the Latest

LETTER FROM THE BOARD

Practicable Date, June Glory and its associates controlled 2,071,095,506 Shares (representing approximately 61.91% of the issued share capital of the Company). 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 will be required to abstain from voting on the board or shareholders resolutions, as the case may be, for approving the Specialised Construction Framework Agreement (including the Proposed Specialised Construction Services Annual Caps), the Proposed New 2018–2020 Annual Caps and the Financial Services Framework Agreement (including the Proposed Financial Services Caps) at the SGM.

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 Tuesday, 29 May 2018. 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.

8. RECOMMENDATION

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Specialised Construction Framework Agreement, the revision of the annual caps under the 2017 Construction Agreement and the Financial Services Framework Agreement.

Red Sun has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, *inter alia*, whether Independent Shareholders should vote in favour of the resolutions regarding the Specialised Construction Framework Agreement and the revision of the annual caps under the 2017 Construction Agreement respectively.

Able Capital has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, *inter alia*, whether Independent Shareholders should vote in favour of the resolution regarding the Financial Services Framework Agreement.

Your attention is therefore drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this circular and the letters from Red Sun and Able Capital set out on pages 27 to 51 and pages 52 to 65 respectively of this circular.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors having considered the views of Red Sun) are of the view that the terms of the Specialised Construction Framework 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.

The Directors (including the independent non-executive Directors having considered the views of Red Sun) are of the view that the revision of the annual caps under the 2017 Construction Agreement is fair and reasonable, 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.

The Directors (including the independent non-executive Directors having considered the views of Able Capital) are of the view that the terms of the Financial Services Framework 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 (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of all the ordinary resolutions in respect of the Specialised Construction Framework Agreement (including the Proposed Specialised Construction Services Annual Caps), the Proposed New 2018–2020 Annual Caps and the Financial Services Framework Agreement (including the Proposed Financial Services Caps) respectively at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from Red Sun, the letter from Able Capital as well as the financial information and general information of the Group as set out in appendices I and II to this circular.

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



五礦地產有限公司
MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

14 May 2018

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROVISION OF SPECIALISED CONSTRUCTION SERVICES
AND
CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAPS
IN RESPECT OF THE 2017 CONSTRUCTION AGREEMENT
AND
MAJOR TRANSACTION AND
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

We have been appointed as members of the Independent Board Committee to consider and to advise the Independent Shareholders whether the terms of the Specialised Construction Framework Agreement, the revision of the annual caps under the 2017 Construction Agreement and the terms of the Financial Services Framework Agreement are fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, taking into account the recommendations of Red Sun Capital Limited and Able Capital Partners Limited, being independent financial advisers appointed to advise us and the Independent Shareholders in the abovementioned context.

Your attention is drawn to the “Letter from the Board”, the “Letter from Red Sun” and the “Letter from Able Capital” in the circular of the Company dated 14 May 2018 (the “Circular”), which contain, among other things, information and the advice from the independent financial advisers in respect of the Specialised Construction Framework Agreement, the revision of the annual caps under the 2017 Construction Agreement and the Financial Services Framework Agreement.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taking into account the reasons for and benefits of the Specialised Construction Framework Agreement, the basis for determining the Proposed Specialised Construction Services Annual Caps, the principal factors and reasons considered by Red Sun in arriving at its opinion regarding the Specialised Construction Framework Agreement as set out in the “Letter from Red Sun” on pages 27 to 51 of this Circular, we consider that the entering into of the Specialised Construction Framework Agreement is in the usual and ordinary course of business of the Company and that the terms of the Specialised Construction Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having taking into account the reasons for and benefits of the revision of the annual caps under the 2017 Construction Agreement, the basis for determining the Proposed New 2018–2020 Annual Caps, the principal factors and reasons considered by Red Sun in arriving at its opinion regarding the revision of the annual caps under the 2017 Construction Agreement as set out in the “Letter from Red Sun” on pages 27 to 51 of this Circular, we consider that the revision of the annual caps under the 2017 Construction Agreement is in the usual and ordinary course of business of the Company and that such revision of the annual caps under the 2017 Construction Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having taking into account the reasons for and benefits of the Financial Services Framework Agreement, the basis for determining the Proposed Financial Services Caps, the principal factors and reasons considered by Able Capital in arriving at its opinion regarding the Financial Services Framework Agreement as set out in the “Letter from Able Capital” on pages 52 to 65 of this Circular, we consider that the entering into of the Financial Services Framework Agreement are in the usual and ordinary course of business of the Company and that the terms of the Financial Services Framework Agreement 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 all the ordinary resolutions as set out in the notice of the SGM to be convened and held on Thursday, 31 May 2018 immediately after the conclusion of the AGM and thereby approve the Specialised Construction Framework Agreement (including the Proposed Specialised Construction Services Annual Caps), the Proposed New 2018–2020 Annual Caps and the Financial Services Framework Agreement (including the Proposed Financial Services Caps).

Yours faithfully,
For and on behalf of

Independent Board Committee

Selwyn Mar
*Independent Non-executive
Director*

Lam Chung Lun, Billy
*Independent Non-executive
Director*

Law Fan Chiu Fan, Fanny
*Independent Non-executive
Director*

LETTER FROM RED SUN

The following is the text of the letter of advice from Red Sun Capital Limited to the Independent Board Committee and the Shareholders in relation to the continuing connected transactions contemplated under the Specialised Construction Framework Agreement (including the Proposed Specialised Construction Services Annual Caps) and the Proposed New 2018–2020 Annual Caps prepared for the purpose of incorporation in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

14 May 2018

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
PROVISION OF SPECIALISED CONSTRUCTION SERVICES
AND
CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAPS
IN RESPECT OF THE 2017 CONSTRUCTION AGREEMENT**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in connection with (i) the Specialised Construction Framework Agreement in relation to the engagement of member(s) of the Group as specialised construction contractor(s) (subject to successful tender) in respect of the real estate development projects and construction projects of the China Minmetals Group for the three years commencing from 20 April 2018; and (ii) the proposed revision of the annual caps under the 2017 Construction Agreement to the Proposed New 2018–2020 Annual Caps for the period from 1 January 2018 to 18 April 2020 for the possible engagement of member(s) of the China Minmetals Group as construction contractor(s) (subject to successful tender) in respect of the existing and future real estate development projects of the Group in the PRC and Hong Kong (together, the “**2018 Continuing Connected Transactions**”). Further details of the 2018 Continuing Connected Transactions are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 14 May 2018 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

LETTER FROM RED SUN

As at the Latest Practicable Date, June Glory (the immediate controlling shareholder of the Company) is a non-wholly owned subsidiary of China Minmetals and accordingly, China Minmetals is a connected person of the Company under the Listing Rules.

Since the Proposed Specialised Construction Services Annual Caps exceed HK\$10,000,000 and certain relevant percentage ratios are, on an annual basis, more than 5%, the Continuing Specialised Construction Services provided under the Specialised Construction Framework Agreement constitute non-exempt continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Since the Proposed New 2018–2020 Annual Caps exceed HK\$10,000,000 and all of the relevant percentage ratios are, on an annual basis, more than 5%, the construction services in respect of the 2017 Construction Agreement under the new caps constitute non-exempt continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of eight Directors, namely Mr. Li Fuli as the Chairman and a non-executive Director, Mr. He Jianbo as the Deputy Chairman, Managing Director and an executive Director, Ms. He Xiaoli, Mr. Liu Zeping and Mr. Yang Shangping as executive Directors and Mr. Selwyn Mar, Mr. Lam Chung Lun, Billy and Ms. Law Fan Chiu Fun, Fanny as independent non-executive Directors.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Selwyn Mar, Mr. Lam Chung Lun, Billy, and Ms. Law Fan Chiu Fun, Fanny has been established to advise the Independent Shareholders, and Red Sun Capital Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether, the Specialised Construction Framework Agreement (including the Proposed Specialised Construction Services Annual Caps) and the Proposed New 2018–2020 Annual Caps, were entered into on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Continuing Connected Transaction. Save for our appointment as the Independent Financial Adviser, we did not act as an independent financial adviser to the Group under the Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

III. BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management (for which they are solely and wholly responsible), were true and accurate at the time they were made and continue to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the statements, information and representations contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information in order to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, for the purpose of this exercise, conducted any independent verification, investigation or audit into the information provided by the Directors and the Management, business or affairs or future prospects of the Company and China Minmetals and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2018 Continuing Connected Transactions and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the terms of the 2018 Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons.

1. Principal activities and business strategy of the Group

The Group is principally engaged in real estate development, specialised construction, property investment and securities investment in Hong Kong and the PRC.

As set out in the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”), the Group’s real estate development segment has been its largest segment by revenue for each of the two years ended 31 December 2016 and 2017, respectively. In general, the Group adopts the operational strategy of striving for growth amidst maintaining stable performance, promoting business model innovation, enhancing quality of management and operational efficiency, grasping the best timing for launching pre-sales and achieving sustainable development. In addition, the Group adheres to a prudent investment strategy of enlarging the presence in cities where the Group have advantageous position, focusing on core regional cities investment and expanding in selected core Tier 2 cities as and when appropriate. The Group also looks for alternatives for acquiring land by exploring new project opportunities through leveraging on the existing ones, and seek collaborative initiatives with local government, leading industry players and companies with advantageous land resources. Furthermore, the Group will continue to adhere to prudent financial management principles to closely monitor debt ratio and operating expenses, strengthen capital market capability, optimize asset composition, and utilize our advantageous listed position for capital raising in Hong Kong.

As set out in the 2017 Annual Report, the Group had a land bank developable in gross floor area of approximately 3.86 million square metres (“**sq.m.**”) across 20 real estate development projects in 11 cities located in the PRC, including Beijing, Yingkou, Langfang, Tianjin, Nanjing, Changsha, Huizhou, Hong Kong, Foshan and Guangzhou as at 31 December 2017.

LETTER FROM RED SUN

A summary of the Group's real estate projects extracted from the 2017 Annual Report is as follows:

Details of the Group's real estate development projects as at 31 December 2017

Location (Number of projects)	Attributable interest to the Group	Estimated GFA (sq.m.)	GFA completed (sq.m.)	GFA under development/ for future development (sq.m.)
Pan Bohai Rim (4 projects)				
1. Beijing Fortune Garden	51.0%	414,000	308,000	106,000/—
2. Yingkou Platinum Bay	100.0%	521,000	158,000	129,000/234,000
3. Langfang Minmetals Vanke City	50.0%	704,000	284,000	153,000/267,000
4. Tianjin Minmetals International	100.0%	183,000	183,000	—/—
Yangtze River Delta (7 projects)				
5. Nanjing Sello Royale	100.0%	270,000	270,000	—/—
6. Nanjing Academic Royale	100.0%	482,000	403,000	79,000/—
7. Nanjing Yan Shan Ju	100.0%	203,000	192,000	11,000/—
8. Nanjing Enchanté Oasis	100.0%	255,000	—	255,000/—
9. Nanjing Enchanté Cove	100.0%	144,000	—	144,000/—
10. Nanjing Pukou Project*	39.8%	283,000	—	283,000/—
11. Nanjing Hexi Project*	33.9%	230,000	—	—/230,000
Central China (5 projects)				
12. Changsha LOHAS International Community	100.0%	1,084,000	924,000	158,000/2,000
13. Changsha Scotland Town	100.0%	442,000	442,000	—/—
14. Changsha Qin Royale	100.0%	534,000	128,000	187,000/219,000
15. Wuhan Enchanté Crest*	100.0%	178,000	—	—/178,000
16. Wuhan Scenery Cove*	100.0%	210,000	—	—/210,000
Pearl River Delta (4 projects)				
17. Huizhou Hallstatt See	100.0%	1,003,000	194,000	41,000/768,000
18. Foshan Academic Royale	100.0%	187,000	—	27,000/160,000
19. Guangzhou Greenery Terrace	100.0%	29,000	—	29,000/—
20. Hong Kong Yau Tong Project	100.0%	53,000	—	53,000/—

* New Project of 2017

According to the 2017 Annual Report, throughout 2017, the Group has added four new projects to its real estate development portfolio (two in Nanjing and two in Wuhan), increasing the Group's developable gross floor area of land bank by approximately 901,000 sq.m.. In addition, the Group had made a consolidation of the Group's strategic layout in Central China after successfully moved into the Wuhan market. Land bank of the Group in Yangtze River Delta region was replenished after successfully acquired through joint ventures land parcels in Nanjing. Such acquisitions support the Group's operation and brand development in the region.

LETTER FROM RED SUN

Set out below is a summary of the operating results of the Group for the two years ended 31 December 2016 and 2017, extracted from the 2017 Annual Report:

	For the year ended	
	31 December	
	2017	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(audited)	(audited)
Revenue		
— Real estate development	10,907.2	10,557.0
— Specialised construction	964.3	954.8
— Property investment	64.0	64.5
Total Revenue	11,935.5	11,576.3
Cost of sales	(7,841.9)	(9,316.0)
Gross profit	4,093.6	2,260.3
Profit for the year	1,448.8	997.2

The Group derived revenue of approximately HK\$10,907.2 million from its real estate development segment for the year ended 31 December 2017, an increase from approximately HK\$10,557.0 million for the year ended 31 December 2016. Profit for the year ended 31 December 2017 totalled to approximately HK\$1,448.8 million, an increase from approximately HK\$997.2 million for the year ended 31 December 2016.

Real estate development operating segment recorded a revenue growth of approximately 3.3% to approximately HK\$10,907.2 million (2016: HK\$10,557.0 million) as a result of the increase in average selling price of the properties delivered to buyers. Specialised construction operating segment recorded a revenue growth of approximately 1.0% to approximately HK\$964.3 million (2016: HK\$954.8 million), which was primarily attributed to the completion and settlement of certain projects by Condo Hong Kong. Since properties with higher profit margin were being recognised, overall gross profit margin improved from approximately 19.5% to 34.3%.

2. Information on China Minmetals Group

China Minmetals is a state-owned enterprise in the PRC principally engaged in the business of exploration, mining, smelting, processing and trading for metals and minerals, finance, real estate development, and mining and metallurgic technology. According to the website of China Minmetals (www.minmetals.com), China Minmetals, restructured from two Fortune Global 500 companies, namely China Minmetals and China Metallurgical Group, is a highly international metals and minerals corporate group, and its strength also lies in metallurgical construction and operation services globally. Headquartered in Beijing, China Minmetals has approximately RMB1.6 trillion in total assets, including owned assets worth approximately RMB813.9 billion and financial assets under management worth approximately RMB814.2 billion. China Minmetals' foreign institutions, resource projects and construction projects are operating in more than 60 countries and regions. In 2017, China Minmetals achieved operating revenue of approximately RMB500 billion, taking the 120th place in Fortune Global 500 and ranked the 1st among global metal enterprises.

In addition, as set out in its website, China Minmetals has also developed real estate business in recent years and has been mainly engaged in the development of residential, and industrial estate, commercial estate, building and instalment, and mining construction with a unique competitive advantage.

China Minmetals uses the brand of “Minmetals Land” to integrate its real estate enterprises. The China Minmetals Group have developed 5 million square meters in nearly 20 cities such as Beijing, Tianjin, Chongqing, Changsha, Nanjing, Nanning and Zhuhai. The China Minmetals Group also has interest in Beijing Shangri-la Hotel and Jinmao Tower, and owns Wilmington Holiday Inn Hotel in the United States. In addition, China Minmetals has actively developed the coastal area in Liaoning Province by investing in Minmetals Yingkou Park with an area of 30.4 square kilometres.

23rd Metallurgical Construction Group Co., Ltd. of Minmetals*, (五礦二十三冶建設集團有限公司) (“**23rd Metallurgical**”), being a subsidiary of the China Minmetals Group, a company established under the laws of the PRC with limited liability, is principally engaged in mining development and operations, construction engineering, and real estate development. Since 2001, it has been assigned under the administration of Hunan Province, the PRC, and became one of the 20 large-sized enterprises supported by the Hunan Provincial Government. 23rd Metallurgical is classified as main contractor Class I in various aspects including, without limitation, the Building Construction Main Contractor Class I* (房屋建設工程施工總承包一級) by the relevant government authorities in the PRC. 23rd Metallurgical, together with its subsidiaries, employs more than 4,000 employees and has operations over 29 provinces, cities and autonomous regions and over 10 countries since establishment. In 2006, 23rd Metallurgical became a subsidiary of China Minmetals, a fellow subsidiary of June

Glory (the immediate controlling shareholder of the Company and a subsidiary of China Minmetals) and hence a connected person of the Company under the Listing Rules.

China Metallurgical Group Corporation (中國冶金科工集團有限公司) (“CMGC”), being a member of the China Minmetals Group, is a state-owned enterprise established under the laws of the PRC with limited liability whose financial statements have been accounted for in the financial statements of China Minmetals on a consolidated basis. CMGC, together with its subsidiaries (the “CMG Group”), is principally engaged in engineering contracting business, property development business, equipment manufacture business and resource development business. Certain members of CMG Group are classified as main contractors Premium Class and Class I in various aspects, including but not limited to, the Building Construction Main Contractor Class I and Premium Class qualifications (房屋建築工程施工總承包一級、房屋建築工程施工總承包特級) by the relevant government authorities in the PRC. Apart from engaging in large scale residential developments, the CMG Group also undertakes commercial, public facilities and infrastructural developments in the PRC. Further, the CMG Group has been chosen for a number of construction projects overseas, such as Germany, Mexico, Singapore, Malaysia, India, Thailand, Burma, Cambodia, Philippines and Indonesia, etc. It was awarded construction contracts for the development of the Universal Studio in Singapore, the Disney Land in Shanghai and the Chinese University in Hong Kong. Members of the CMG Group received, among others, Luban Award (魯班獎), National Quality Engineering Award (國家優質工程獎) and Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎). On 8 December 2015, the strategic restructuring between CMGC and China Minmetals commenced upon the approval of the State-owned Assets Supervision and Administration Commission of the State Council. Accordingly, CMG Group is a connected person of the Company under the Listing Rules.

3. PRC and Hong Kong property market and outlook

Given that the Group principally engaged in real estate development, specialised construction, property investment and securities investment in Hong Kong and the PRC. We have reviewed the PRC and Hong Kong property market and outlook.

3.1 PRC property market and outlook

Pursuant to the Thirteenth Five Year Plan* (十三五規劃) set out by the PRC government, the annual gross domestic product growth target for the next five years from 2016 was approximately 6.5%. As sets out in the overall direction of the PRC governmental policies from 2016 to 2020, urban development remains one of the focal points of the PRC government under its Thirteenth Five Year Plan. As disclosed on the website of the National Bureau of Statistics of China (data.stats.gov.cn), year-on-year growth in gross domestic product for the PRC in 2017 was approximately 6.9% (2016: 6.7%).

As stated in the Thirteenth Five Year Plan, the PRC government targets to, among others, (i) accelerate the agricultural population urbanisation* (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system* (深化戶籍制度改革), implementation of the residence permit system* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) optimise urbanisation layout* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration* (加快城市群建設發展), enhance the drive of activities by central cities* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristic towns* (加快發展中小城市和特色鎮). The Management considers that such targets having a positive effect on the prospects of the real estate development sector of PRC in the short to medium term.

More recently throughout 2017 and in the first quarter of 2018, the PRC government implemented various policy measures, at national and regional level, to promote long term sustainability of the PRC property market, which included but was not limited to (i) making adjustments to the benchmark interest rate by the People's Bank of China; (ii) amending the minimum down payment for buyers of second homes; (iii) impose limitation on property purchases* (限購令); and (iv) minimum holding period before resale. Accordingly, the PRC property market continues to be exposed to changes in PRC government policies at a national and regional level, as well as market volatility and to an extent affected by the overall economic development of the PRC.

3.2 Hong Kong property market and outlook

Based on information set out in the 2017 Policy Address published by the Hong Kong government in October 2017, in connection with the issues on housing and land in Hong Kong, it was stated that housing remains the most challenging, formidable and complex livelihood issue the Hong Kong government has to address. Since November 2016, the Hong Kong government has introduced various measures with a view to curb the heated property market, including an increase in the stamp duty on property transactions for non first-time buyers to 15% of transaction value for all residential transactions for Hong Kong permanent residents and corporate buyers, which was followed by further measure introduced in April 2017 which addresses that in the event of a single transaction purchase of more than one residential property (一約多伙), 15% of the new residential stamp duty will be imposed on each property.

In addition, according to the Long Term Housing Strategy Annual Progress Report 2017 by the Transport and Housing Bureau of Hong Kong government, the ten-year total housing supply target is approximately 460,000 units for the ten-year period from 2018–19 to 2027–28, with a public/private split of 60:40 for the supply of new housing units.

According to the 2017 Policy Address, the Hong Kong government is determined to rectify the situation with effort through various means, including (i) the Task Force on Land Supply to lead the community to examine the pros and cons of different land

supply options in a thorough and macro manner with a view to achieving the broadest consensus in the community, and plan to launch a public engagement exercise in the first half of 2018; (ii) substantial increase the supply of units under the Green Form Subsidised Home Ownership Scheme, which specifically caters for public rental housing tenants; and (iii) the introduction of “Starter Homes” Pilot Scheme for Hong Kong middle-class families, details of such scheme will be finalised for announcement in mid-2018, a pilot scheme by the end of 2018 will be launched by using a residential site on the Hong Kong government’s Land Sale Programme to provide about 1,000 residential units.

While the Hong Kong property market is exposed to changes in Hong Kong government policies and the local economy, it is also influenced by the PRC’s economic development.

4. Reasons for and benefits of the 2018 Continuing Connected Transactions

We understand from the Management that the main purpose of entering into of the Specialised Construction Framework Agreement (including the Proposed Specialised Construction Services Annual Caps) and the proposed revision of the annual caps under the 2017 Construction Agreement to the Proposed New 2018–2020 Annual Caps for the period from 1 January 2018 to 18 April 2020 is to avoid the lengthy approval process and any undue delay in the construction progress of the relevant projects which will otherwise require the approval of Independent Shareholders in a special general meeting of the Company for each specific instance.

In addition, we also note from the Letter from the Board that, in relation to the Specialised Construction Framework Agreement, in view of the portfolio of real estate development projects and the expanding construction business of the China Minmetals Group, it is anticipated that the China Minmetals Group will, in the coming few years, actively invite tenders for specialised construction works relating to its real estate development projects and construction projects.

The participation in the bidding process for specialised construction contracts of the China Minmetals Group (subject to successful tender) will enable the Group to enlarge its market share, increase its operating revenue and boost brand building in the sector. In addition, we understand from the Management that it is an option but not an obligation for the Group to participate in such bidding process for specialised construction contracts of the China Minmetals Group.

We also noted that the China Minmetals Group may or may not (i) undertake any future real estate development projects and/or construction projects up to the potential size projected by the Company; or (ii) appoint member(s) of the Group as specialised construction contractor(s) in relation to future tenders for the China Minmetals Group's existing and/or future real estate development projects and construction projects, or if appointed, to take up specialised construction works up to the level of the Proposed Specialised Construction Services Annual Caps.

In connection with the Proposed New 2018–2020 Annual Caps, we understand from the Management that the Group's real estate development business is expected to grow in the PRC and Hong Kong, therefore it is anticipated that the Group will, in the coming few years, actively invite tenders for construction works relating to its real estate development projects. As at 31 December 2017, the Group had a land bank developable in gross floor area of approximately 3.86 million sq. m. across 20 real estate development projects in 11 PRC cities. For further information on the Group's real estate development projects in the PRC and Hong Kong as at 31 December 2017, please refer to the summary of the Group's real estate projects extracted from the 2017 Annual Report in this letter above.

In view of the above and based on historical satisfactory working experience between the Company and members of the China Minmetals Group, the Group intends to continue inviting member(s) of the China Minmetals Group to place tenders for its construction contracts.

Furthermore, the appointment of member(s) of the China Minmetals Group as construction contractor(s) for the Group's projects under the 2017 Construction Agreement is subject to successful tender(s) in competitive tendering process(es) governed by the relevant rules and regulations.

Similarly, the appointment of member(s) of the Group as specialised construction contractor(s) for the China Minmetals Group's projects undertaken by it as main contractor contemplated under the Specialised Construction Framework Agreement is also subject to successful tender(s) in competitive tendering process(es) governed by the relevant rules and regulations.

Based on the aforesaid, as well as (i) the growth in the revenue and profit of the Group's real estate development and specialised construction segments for the year ended 31 December 2017 as set out under the earlier section headed "1. Principal activities and business strategy of the Group" in this letter; (ii) the strategy of the Group is to focus on core regional cities investment and expanding in selected core Tier 2 cities as and when appropriate, and to explore new project opportunities through leveraging on the existing ones, and seek collaborative initiatives with local government, leading industry players and companies with advantageous land resources; (iii) the property market outlook in the PRC and Hong Kong as set out under the earlier section headed "3. PRC and Hong Kong property market and outlook" in this letter; and (iv) the Management's intention to continue the development of its real estate development and specialised construction businesses

with a view to further increase revenue to be derived from these business segments, we concur with the Directors' view that the Specialised Construction Framework Agreement (including the Proposed Specialised Construction Services Annual Caps) and the Proposed New 2018–2020 Annual Caps are in the interests of the Company and the Shareholders as a whole.

5. Specialised Construction Framework Agreement

As set out in the 2017 Annual Report, the business of specialised construction of the Group mainly consisted of design, production and installation of curtain walls system and associated metal works. The Specialised Construction Framework Agreement was entered into to facilitate the engagement of member(s) of the Group as specialised construction contractor(s) (subject to successful tender) in respect of the real estate development projects and construction projects of the China Minmetals Group for the three years from 20 April 2018 to 19 April 2021.

5.1 Terms of the Specialised Construction Framework Agreement

The principal terms of the Specialised Construction Framework Agreement are summarised below:

Date:	20 April 2018
Parties:	(i) the Company (ii) China Minmetals
Term:	Three years commencing from 20 April 2018 to 19 April 2021
Subject matter:	The China Minmetals Group may from time to time invite member(s) of the Group to tender for specialised construction contract(s) in accordance with the China Minmetals Group's tender procedure and general conditions offered to independent bidders (including general provisions for adjusting construction amounts due to, for example, changes to projects). Subject to successful tender, the China Minmetals Group shall engage member(s) of the Group as specialised construction contractor(s) in respect of existing and future real estate development projects and construction projects of the China Minmetals Group, provided that the total contract sums of the specialised construction contract(s) to be awarded by the China Minmetals Group to member(s) of the Group during each of the three years from 20 April 2018 to 19 April 2021 shall not exceed the Proposed Specialised Construction Services Annual Caps.

- Condition: The Specialised Construction Framework Agreement will take effect upon the Company obtaining the Independent Shareholders' approval at the SGM
- Pricing policy: The Group would estimate the costs of specialised construction contracts based on (i) the direct material costs as quoted from suppliers and refer to the prevailing market prices; (ii) the fabrication costs as quoted from fabricators or refer to historical data of the Group; and (iii) other preliminary costs including insurance, design fee and project management fees. The Group will then apply an appropriate gross profit margin after taking into consideration of the scale of the specialised construction work contracts. As the determination of the tender price shall take into account, among others, the cost estimation as well as profit estimation, the personnel authorising the submission of tender shall ensure the estimated profit margin expected to be derived from the subject contract to be in line with profit margin derived from similar independent third party projects by the Group in the past.

5.2 Internal control procedures and pricing basis

As advised by the Management, in respect of the transactions under the Specialised Construction Framework Agreement, the price and terms of the Group's tender documents submitted to China Minmetals Group are subject to the standard tender submission procedures (the "**Standard Tender Submission Procedures**") maintained by the Group, which shall apply to all tenders in relation to the specialised construction projects submitted to both connected persons and independent third parties.

The Standard Tender Submission Procedures, as advised by the Management and disclosed in the Letter from the Board, typically involve (i) receiving tenders or invitation for quotation notices, followed by the general manager of the tender department reviewing the project scale, and other factors of the projects to prepare the preliminary assessment reports; (ii) initial assessment of projects, which would involve the general manager of the tender department conducting analysis on the project in respect of profit analysis, technical feasibility, competitive environment studies, project planning, cost estimation as well as profit estimation, risk assessment, human resources planning, initial cash flow outlay and tender pricing, the aforesaid assessments enable the tender department to have a comprehensive evaluation of the costs and the corresponding profit to be derived from the subject contract; and (iii) preparation of tender reports based on the initial assessment of projects, and that such tender reports, which covers price of tender should be authorised by the general manager of the tender department and/or the management of the Group based on the initial assessment of projects and such personnel shall approve tender submission, where appropriate, after taking into account the information available to the Company

at the relevant time. As the determination of the tender price shall take into account, among others, the cost estimation as well as profit estimation, the personnel authorising the submission of tender shall ensure the estimated profit margin expected to be derived from the subject contract to be in line with profit margin derived from similar independent third-party projects by the Group in the past.

We have (i) reviewed the Standard Tender Submission Procedures, which govern the procedures for evaluating and submitting tenders; and (ii) obtained samples of project evaluation reports setting out the factors evaluated and proposed for submitting tender for the provision of services as a specialised construction contractor based on the Standard Tender Submission Procedures.

The Management advised that there has been no material non-compliance with the aforesaid internal procedures recorded by the Group for the past three years ended 31 December 2015, 2016 and 2017 and up to the Latest Practicable Date.

For our assessment, we have obtained and reviewed samples of historical specialised construction contracts of the Group conducted/tenders submitted in relation to the specialised construction projects during the year ended 31 December 2016 and 2017 and noted that the basis for the determination of pricing did not deviate from the stated pricing policies. The Management also advised that invitation for tendering specialised construction contracts from members of the China Minmetals Group shall be reviewed and evaluated under the same prescribed tender assessment method in a manner no different than that applied to those with independent third parties.

Based on our work performed, we concur with the Directors' view that the pricing basis applied to the transactions under the Specialised Construction Framework Agreement are fair and reasonable.

5.3 Proposed Specialised Construction Services Annual Caps and basis of determination

As set out in the Letter from the Board, the Proposed Specialised Construction Services Annual Caps were determined after considering relevant factors, including the estimated amount of specialised construction contracts for the China Minmetals Group's existing and potential real estate development projects of and construction projects undertaken or may be undertaken from time to time by China Minmetals Group, the likelihood of member(s) of the Group to participate in the project tender, the estimated scope of specialised construction works in respect of the China Minmetals Group's real estate development projects, the estimated relevant specialised construction price on a per square metre basis and the expected progress of the specialised construction works. The Company estimates that the total contract sums of the China Minmetals Group's specialised construction contracts which may be

LETTER FROM RED SUN

awarded to member(s) of the Group under the Specialised Construction Framework Agreement for the three years from 20 April 2018 to 19 April 2021 will not exceed the Proposed Specialised Construction Services Annual Caps as set out below:

For the periods commencing from			
20 April 2018 to 31 December 2018	1 January 2019 to 31 December 2019	1 January 2020 to 31 December 2020	1 January 2021 to 19 April 2021
RMB935.23 million (approximately HK\$1,160.80 million)	RMB794.09 million (approximately HK\$985.62 million)	RMB846.77 million (approximately HK\$1,051.01 million)	RMB503.87 million (approximately HK\$625.40 million)

5.4 Our analysis and works performed

In assessing the Proposed Specialised Construction Services Annual Caps, we have obtained from the Management a project schedule setting out the upcoming projects of the China Minmetals Group with specialised construction contracts for the three years commencing from 20 April 2018 (the “**Specialised Construction Contracts Schedule**”), and noted that these upcoming projects include, amongst others, the following:

		Proposed Specialised Construction Services Annual Caps			
		20 April 2018 to 31 December 2018	1 January 2019 to 31 December 2019	1 January 2020 to 31 December 2020	1 January 2021 to 19 April 2021
Locations	Size of contracts and number of contracts				
PRC, including projects located in Changsha, Nanjing, Shanghai, Shenyang (contracts for various development projects and properties, ranging from convention centre, offices, residential properties)	Potential contract size	approximately RMB538.84 million	approximately RMB350.00 million	approximately RMB400.00 million	approximately RMB180.00 million
	per year: ranging from less than RMB1 million to RMB100 million	(approximately HK\$668.80 million)	(approximately HK\$434.42 million)	(approximately HK\$496.48 million)	(approximately HK\$223.41 million)
	Number of contracts: 24				
Hong Kong and Macau (including office building, theme park and hotel resort)	Potential contract size	approximately RMB396.39 million	approximately RMB444.09 million	approximately RMB446.77 million	approximately RMB323.87 million
	per year: ranging from less than HK\$80 million to HK\$470 million	(approximately HK\$492.00 million)	(approximately HK\$551.20 million)	(approximately HK\$554.53 million)	(approximately HK\$401.99 million)
	Number of contracts: 3				

The Specialised Construction Contracts Schedule sets out description for certain China Minmetals Group's real estate development projects and construction projects in the PRC and Hong Kong with specialised construction contracts which the Group may be invited to place tenders for.

We noted that the Proposed Specialised Construction Services Annual Caps related to the PRC, Hong Kong and Macau for the period from 20 April 2018 to 31 December 2018 (the **"2018 Proposed Specialised Construction Services Annual Caps"**) was primarily based on the contracts set out in the Specialised Construction Contracts Schedule. Such schedule consisted of 27 contracts during 20 April 2018 to 31 December 2018, (i) 24 of which are located in the PRC, with expected contract size per year ranging from less than RMB1 million to approximately RMB100 million, involving various development projects and properties, including convention centre, offices and residential properties; and (ii) three of which are located in Hong Kong and Macau, with expected contract size per year ranging from less than HK\$80 million to approximately HK\$470 million, involving a theme park, hotel resort and office building. The aforesaid 27 contracts have expected commencement dates ranging from fourth quarter of 2018 to first quarter of 2019.

In respect of our work performed, we have obtained the supporting documents relating to the Company's estimates for five of the largest PRC contracts, with contracts sum ranging from approximately RMB37 million to RMB1,000 million, and the largest Hong Kong and Macau contract, for the year ending 31 December 2018, such supporting documents including expression of interests, being an internal document of the Group for the purpose of planning for resources and tender submissions. The total estimated contract sums of the aforesaid six contracts contributed over 50% of the 2018 Proposed Specialised Construction Services Annual Cap. We also discussed with the Management on how they have estimated the respective contract amounts based on the supporting documents provided. The Management confirmed that, where applicable, the information and/or basis applied to estimate the six-selected contract sum was in line with those applied to determine the remaining 2018 Proposed Specialised Construction Services Annual Cap.

Given the duration and size of the specialised construction contracts varies from project to project and that whether the Group would tender for a particular contract also subject to factors, such as relevant costs, labour supply and resources available to the Group at the relevant time, it is difficult to accurately estimate the Proposed Specialised Construction Services Annual Caps for the period after 31 December 2018, namely from 1 January 2019 to 31 December 2019, 1 January 2020 to 31 December 2020, and 1 January 2021 to 19 April 2021 (the **"PRC 2019–2021 Proposed Specialised Construction Services Annual Caps"**), based solely on the relevant scheduled projects of the China Minmetals Group. As such, the Management has estimated the PRC 2019–2021 Proposed Specialised Construction Services Annual Caps after taking into consideration (i) the respective expected completion dates of the 27 contracts in the Specialised Construction Contracts Schedule; (ii) potential change in project schedule and/or progress of the projects; (iii) the number and size of specialised construction contracts from the China Minmetals Group as detailed in the table above as a reference

for estimating future potential number and size of specialised construction contracts; (iv) potential new specialised construction contracts of the China Minmetals Group being made available for the Group to tender for and not set out in the Specialised Construction Contracts Schedule; and (v) the expected capacity of the Group's specialised construction division at the relevant time.

In view of the above, the Management has prudently estimated a reduction in Proposed Specialised Construction Services Annual Caps related to the PRC for the period from 1 January 2019 to 31 December 2019 to approximately RMB350 million (approximately HK\$434 million), followed by applying a year-on-year growth rate of approximately 14.3% and arrived at the Proposed Specialised Construction Services Annual Caps related to the PRC for the period from 1 January 2020 to 31 December 2020 to approximately RMB400 million (approximately HK\$496 million). Having considered that the segment revenue of the Group's specialised construction segment recorded a compounded annual growth rate of approximately 18.9% from year ended 31 December 2015 to 31 December 2017, we consider the growth rate of the aforesaid 14.3% to be reasonable.

As for the Proposed Specialised Construction Services Annual Caps related to the PRC for the period from 1 January 2021 to 19 April 2021 (the “**2021 Proposed Specialised Construction Services Annual Caps**”), we understand from the Management that in order to allow flexibility to cater for circumstances such as (i) sizeable contracts may be made available for tender during January to April 2021 beyond the Company's control, as evidenced by the specialised construction contract of RMB100 million for certain development project of China Minmetals Group in Shanghai, and the Company would need to seek independent shareholders' approval before taking up such contract in the event that the relevant annual cap at the time is insufficient, which would cause undue delay to the project or the Company may fail to take up such contract as a result; and (ii) the contracts available for tender and be awarded to the Group may not be evenly distributed throughout 2021, and the 2021 Proposed Specialised Construction Services Annual Caps would allow some flexibility to cater for circumstances where contracts awarded to the Group (subject to successful tender) during the first quarter of year 2021 becomes more significant compared to the remaining part of the year 2021.

As for the Proposed Specialised Construction Services Annual Caps relating to Hong Kong, the Management has estimated an increase for the period from 1 January 2019 to 31 December 2019 to approximately HK\$551 million, further to approximately HK\$555 million for the period from 1 January 2020 to 31 December 2020, and reduce to approximately HK\$402 million for the period from 1 January 2021 to 19 April 2021, based on the Specialised Construction Contracts Schedule, over 80% of the Proposed Specialised Construction Services Annual Caps for the period from 1 January 2019 to 19 April 2021 for Hong Kong and Macau was related to potential contracts for the subject hotel resort project in Macau.

We understand from the Management that the Group is not under obligation to submit tenders for specialised construction contracts of the China Minmetals Group and shall submit tender for projects after preliminary internal feasibility study as well as taking into account of the availability of resources at the relevant time. In addition, Shareholders should note that the Specialised Construction Services Annual Caps represent estimates by the Group based on the information currently available. Furthermore, the China Minmetals Group may or may not undertake any future real estate development projects and/or construction projects up to the potential size projected by the Company and appoint member(s) of the Group as construction contractor(s) in relation to future tenders for the China Minmetals Group's existing and/or future real estate development projects and construction projects, or if appointed, to take up specialised construction works up to the level of the Proposed Specialised Construction Services Annual Caps. As such, Shareholders should also be aware that the actual utilisation and sufficiency of the Specialised Construction Services Annual Caps would depend on a host of factors, including but not limited to, the contract sum to be awarded to the Group after a competitive tender process (if at all), the progress of real estate development projects of the China Minmetals Group in question and the scope of work. In this regard, we understand from the Management that the Company will actively monitor the progress and utilisation of the Proposed Specialised Construction Services Annual Caps to ensure compliance with the Listing Rules from time to time.

Having taken into account (i) the Management shall continue to develop the Group's specialised construction business under the Group's strategy and, subject to successful tender, seek appointment by the China Minmetals Group as specialised construction contractor(s) for the China Minmetals Group's real estate development projects and construction projects in the PRC and Hong Kong; (ii) the information on the specialised construction contracts as set out under the Specialised Construction Contracts Schedule; (iii) our analysis and work performed as set out above; (vi) the Specialised Construction Services Annual Caps offers the Group flexibility and facilitates the participation in tenders and (subject to successful tender(s)) taking on specialised construction contracts from member(s) of the China Minmetals Group as specialised construction contractor(s); and (v) it is an option but not an obligation for the Group to participate in tendering process for these specialised construction contracts of the China Minmetals Group, we consider that the basis for the Specialised Construction Services Annual Caps to be fair and reasonable.

6. Proposed New 2018–2020 Annual Caps under the 2017 Construction Agreement

6.1. The Proposed New 2018–2020 Annual Caps and basis of determination

The Management envisages that the original annual caps in connection with the 2017 Construction Agreement (i.e. the 2017–2020 Annual Caps) for each of the period from 19 April 2017 to 31 December 2017, the year ending 31 December 2018, the year ending 31 December 2019, and the period from 1 January 2020 to 18 April 2020, will not be sufficient for the Group to award additional contracts to the China Minmetals Group and needs to be revised (subject to the approval of the Independent Shareholders). The following table sets out the comparison between the 2017–2020 Annual Caps and the Proposed New 2018–2020 Annual Caps for the periods specified:

	19 April 2017 to 31 December 2017	1 January 2018 to 31 December 2018	1 January 2019 to 31 December 2019	1 January 2020 to 18 April 2020
The 2017–2020 Annual Caps (approximately million)	RMB2,000.0 (HK\$2,482.4)	RMB1,850.0 (HK\$2,296.2)	RMB1,850.0 (HK\$2,296.2)	RMB960.0 (HK\$1,191.6)
Historical transaction amount of the Group’s construction contract awarded to the China Minmetals Group (approximately million)	RMB1,074.0 (HK\$1,333.0)	N/A	N/A	N/A
Utilisation rate (%)	53.70	N/A	N/A	N/A
Proposed New 2018–2020 Annual Caps (approximately million)	N/A	RMB6,085.49 (HK\$7,553.31)	RMB3,711.28 (HK\$4,606.44)	RMB2,798.02 (HK\$3,472.90)

As advised by the Management, the Proposed New 2018–2020 Annual Caps were determined according to estimates by the Group based on the information currently available (including types of the property to be constructed, development schedule and prevailing market conditions) and, in particular, the estimated amount of construction contracts for the Group’s existing and future real estate development projects in the PRC and Hong Kong. The Proposed New 2018–2020 Annual Caps would facilitate the Group to engage China Minmetals Group and represents the maximum contract sum that would be awarded to member(s) of the China Minmetals Group but should not be construed as the actual amount of construction contracts that the Group may award to member(s) of the China Minmetals Group.

LETTER FROM RED SUN

As disclosed in the Letter from the Board, the actual amount of construction contracts awarded to members of the China Minmetals Group under the 2017 Construction Agreement were still within the 2017–2020 Construction Annual Caps.

The Management advised that the Group has adopted a strategy to expand the property development business in Hong Kong in addition to the PRC. As such, it is likely that the opportunities of inviting member(s) of the China Minmetals Group to place tender for construction contract(s) of the Group's new real estate development projects in Hong Kong from 1 January 2018 to 18 April 2020 will be increased.

In addition, as set out in the Letter from the Board, in view that the Group may wish to consider possible tenders that may be made by members of the China Minmetals Group for construction works in relation to the Yau Tong Project, and given the size of the Yau Tong Project, the total contract sum that may be awarded to the China Minmetals Group from 1 January 2018 to 18 April 2020, including any works tendered for the Yau Tong Project, is likely to exceed the relevant annual cap(s) under the 2017–2020 Annual Caps.

As set out in the 2017 Annual Report, the Yau Tong Project is a residential development project located at the junction of Shung Shun Street and Yan Yue Wai, Yau Tong, Kowloon, Hong Kong. It occupies an aggregate site area of approximately 10,500 sq.m. and has an aggregate planned gross floor area of approximately 53,000 sq.m. and development of Yau Tong Project was commenced in the fourth quarter of 2017 with pre-sale scheduled to commence in 2020. The construction of the Yau Tong Project is expected to be completed in 2022. Based on information provided by the Management, the contract sum related to the Yau Tong Project, of which the China Minmetals Group may tender for as contractor under the 2017 Construction Agreement, is estimated to be approximately RMB1,828.1 million.

The purpose of revising the annual caps under the 2017 Construction Agreement is to avoid undue delay in the construction progress of the relevant projects which will otherwise have to seek approval of Independent Shareholders in a special general meeting of the Company for each specific instance.

LETTER FROM RED SUN

Based on information provided by the Management, the estimated contract amount of existing and potential real estate development projects or construction contracts that may be awarded by the Group and their respective estimated construction completion date (the “**Real Estate Development Project Schedule**”) are set out below:

Project location (number of projects)	From 1 January 2018 to 31 December 2018 <i>RMB million</i>	From 1 January 2019 to 31 December 2019 <i>RMB million</i>	From 1 January 2020 to 18 April 2020 <i>RMB million</i>	Expected construction completion date
Liaoning (1)	24.8	—	—	4th quarter 2020
Nanjing (2)	485.1	—	—	2nd quarter 2020
Changsha (2)	933.6	—	—	2nd quarter 2020
Wuhan (2)	1,140.0	—	—	4th quarter 2021
Huizhou (1)	310.7	213.6	221.6	4th quarter 2022
Guangzhou (1)	94.8	—	—	2nd quarter 2021
Potential real estate development projects in the PRC	1,268.3	1,588.2	586.4	N/A
Hong Kong (the Yau Tong Project) (1)	1,828.1	—	—	4th quarter 2022
Potential real estate development projects in Hong Kong	—	1,909.4	1,990.0	N/A
Total	<u>6,085.4</u>	<u>3,711.2</u>	<u>2,798.0</u>	

6.2 Our analysis

We noted that the Proposed New 2018–2020 Annual Caps of the Group was primarily based on the contracts set out in the Real Estate Development Project Schedule. Such schedule consisted of 10 projects, (i) nine of which are located in the PRC, with expected contract size per year ranging from approximately RMB5 million to not less than RMB920 million, involving various real estate development projects including residential and commercial property development projects; and (ii) the Yau Tong Project in Hong Kong, with expected relevant contract size of approximately RMB1,828.1 million for the financial year ending 31 December 2018.

Furthermore, we also noted that the estimated relevant contract amount of Yau Tong Project being approximately RMB1,828.1 million, already represented over 90% of the original annual cap for the year ending 31 December 2018 under the 2017–2020 Annual Caps. On this basis, it is necessary for the Group to revise the existing annual caps to the Proposed New 2018–2020 Annual Caps to facilitate the engagement of China Minmetals Group as its contractor in the future.

The Management advised that typically construction contracts in the PRC and Hong Kong would have a duration from approximately 12 months to 36 months. Given the duration and size of the construction contracts varies from project to project and that whether the Group would tender for a particular contract also subject to factors, such as relevant costs, labour supply and resources available to the Group at the relevant time, it is difficult to accurately estimate the Proposed New 2018–2020 Annual Caps for each of the periods from 19 April 2018 to 31 December 2018, the year ending 31 December 2019, and from 1 January 2020 to 18 April 2020, based solely on the relevant scheduled projects.

In this connection, the Management has estimated the Proposed New 2018–2020 Annual Caps after taking into consideration (i) the respective expected completion dates of the 12 ongoing/new contracts in the Real Estate Development Project Schedule for the year ending 31 December 2018; (ii) potential change in project schedule and/or progress of the subject projects; and (iii) estimated new construction contracts of the Group arising from property development projects related to new sites to be acquired under the Group's land acquisition plan, of which the China Minmetals Group may tender for.

As such, the Management has prudently estimated a reduction in the Proposed New 2018–2020 Annual Caps for (i) the year ending 31 December 2019 to approximately RMB3,711.2 million, of which approximately 48.6% and 51.4% of the relevant annual cap was attributable to property development projects in the PRC and Hong Kong, respectively, which together has an estimated construction area exceeding 180,000 sq.m.; and (ii) the period from 1 January 2020 to 19 April 2020 to approximately RMB2,798.0 million, of which approximately 28.9% and 71.1% of the relevant annual cap was attributable to property development projects in the PRC and Hong Kong, respectively, which together has an estimated construction area exceeding 150,000 sq.m..

We understand from the Management that in order to allow flexibility to cater for circumstances such as (i) sizeable contracts may be made available for tender during January to April 2020, as evidenced by the construction contract related to Yau Tong Project amounting to more than RMB1,800 million in contract sum, and in the event that the relevant annual cap at the time is insufficient, the Company would need to seek independent shareholders' approval before engaging the China Minmetals Group to carry out such contract which would cause undue delay to the project; and (ii) the contracts available for tender and be awarded by the Group may not be evenly distributed throughout 2021, and the Proposed Specialised Construction Services Annual Caps for the period from 1 January 2020 to 19 April 2020 would allow some flexibility to cater for circumstances where contracts awarded to the Group (subject to successful tender) during the first quarter of year 2020 becomes more significant compared to the remaining part of the year 2020.

Further to the above, we have also reviewed and discussed the information provided by the Management, including the planned/estimated size of construction area and the estimated relevant construction price on a per square metre basis. In

relation to the planned/estimated size of construction area, we have discussed with the Management and noted that, reference is made to the land acquisition plans formulated by the Management for 2018, 2019 and 2020 as well as development plans and progress of the existing real estate development projects when estimating the expected gross floor area.

Based on our review of the information provided and as advised by the Management, the land acquisition plans for 2018, 2019 and 2020 were formulated with reference to the estimated required capital, estimated total area of newly acquired land, and estimations on the targeted Tier-1 cities (including Beijing, Shanghai, Guangzhou, Shenzhen and areas that have structural opportunities arising from spill over effect of these cities such as Langfang, Zhangjiakou, Foshan, Huizhou, etc.), the core Tier-2 cities (including Tianjin, Nanjing, Hangzhou, Chengdu, etc), Tier-2 cities (including, Changsha, Ningbo, Xiamen, etc.) and in Hong Kong.

We also noted from the Company's published annual reports that its revenue has increased significantly in the past three years, from approximately HK\$7.3 billion for the year ended 31 December 2015 to approximately HK\$11.9 billion for the year ended 31 December 2017, representing a compound annual growth rate of approximately 27.7%. We also noted that such increase was largely attributable to the increase in revenue derived from the sales of properties from approximately HK\$6.5 billion for the year ended 31 December 2015 to approximately HK\$10.9 billion for the year ended 31 December 2017. The sales of properties remained to be the single largest revenue contributor of the Group for each of the years ended 31 December 2015, 2016 and 2017, respectively. On this basis and as advised by the Management, the real estate development segment will continue to be an integral part of the Group's business model going forward.

Shareholders should be aware that the Proposed New 2018–2020 Annual Caps represent estimates by the Group based on the information currently available, for example, types of the property to be constructed, development schedule and prevailing market conditions, and in particular, the estimated amount of construction contracts for the Group's existing and potential new real estate development projects in the PRC and Hong Kong and the Proposed New 2018–2020 Annual Caps should not be construed as the actual amount of construction contracts that the Group may award to member(s) of the China Minmetals Group during the three years from 19 April 2017 to 18 April 2020. Shareholders should also be aware that the actual utilisation and sufficiency of the Proposed New 2018–2020 Annual Caps would depend on a host of factors, including but not limited to, the relevant tenders which will be awarded through a regulated tender process governed by the relevant measures, regulations and the Group's internal procedures (where relevant) in the PRC and Hong Kong and may or may not be granted to members of the China Minmetals Group, the progress of the real estate development projects in question and the scope of work. In this regard, we understand from the Management that the Company will actively monitor the progress and utilisation of the Proposed New 2018–2020 Annual Caps to ensure compliance with the Listing Rules from time to time.

6.3 Internal control procedures and pricing basis

In addition to the above, we also performed the following review. As discussed with the Management, we noted that the tender and appointment procedures of the tender under the 2017 Construction Agreement (with reference to the circular of the Company dated 12 May 2017 regarding the 2017 Construction Agreement) shall continue to be in force, including a tender evaluation committee, which shall comprise a majority of qualified experts randomly selected from a list of qualified experts for tender evaluation as approved by the relevant government authorities in the PRC and a list of in-house and/or external professionals with relevant expertise and qualifications in Hong Kong, has to be established to, among other matters, evaluate tenders based on an appropriate tender assessment method and recommend the successful tender in a manner as stipulated in the applicable rules, regulations and the Group's internal procedures (where relevant).

For our assessment, we have obtained and reviewed samples tender documents of under 2017 Construction Agreement, and the tender management manual* (招標管理辦法) provided by the Management, and noted that the tender submitted by the member(s) of the China Minmetals Group had been through the appointment procedures as stated.

As discussed with the Management, only those tenderers that possess the required license(s) pursuant to the relevant local laws and regulations and also meet the qualification requirements (including competency) of the Group will be invited for tender to be conducted by the Group. The Group will then seek advice from external consultants such as structural engineers, architects, quantity surveyors, together with the project management team of the Group, to evaluate the qualifications (including competency) of the tenderers. For the Yau Tong Project, a subsidiary of CMG Group formed a joint venture (the “**Joint Venture**”) with a contractor possessing the required qualifications and competency. Such Joint Venture met the qualification requirements, including competency, of the Group and was subsequently appointed as a contractor for the foundation works of the Yau Tong Project after going through the tender procedures conducted by the Group along with other tenderers.

The Management advised that there has been no material non-compliance with the aforesaid internal procedures recorded by the Group for the past three financial years ended 31 December 2015, 2016 and 2017 and up to the Latest Practicable Date.

LETTER FROM RED SUN

Furthermore, we noted that the Proposed New 2018–2020 Annual Caps for the 2017 Construction Agreement is on a non-exclusive basis and the parties are not prohibited to invite independent third parties to tender for construction contract(s) in the PRC and Hong Kong as appropriate and/or if the terms are more favourable to the Group. We believe that such non-exclusive nature would provide flexibility to the Group and ensure that the Group will be able to invite the parties to tender for construction contract(s) in the PRC and Hong Kong at the interests of the Group.

V. RECOMMENDATION

Having considered the factors as set out in this letter above, we are of the view that (i) the Specialised Construction Framework Agreement; and (ii) the proposed revision of the annual caps in respect of the 2017 Construction Agreement to the Proposed New 2018–2020 Annual Caps, are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the Proposed Specialised Construction Services Annual Caps and the Proposed New 2018–2020 Annual Caps, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Specialised Construction Framework Agreement (including the Proposed Specialised Construction Services Annual Caps) and the revision of annual caps in respect of the 2017 Construction Agreement to the Proposed New 2018–2020 Annual Caps at the SGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai of Red Sun Capital Limited is a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 10 years and has been involved in and completed various corporate finance advisory transactions.

** for identification purposes only*

LETTER FROM ABLE CAPITAL

The following is the text of a letter of advice from Able Capital Partners Limited to the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Framework Agreement, the Continuing Financial Services Transactions and the Proposed Financial Services Caps related thereto, which has been prepared for the purpose of incorporation in this circular.



ABLE CAPITAL PARTNERS LIMITED
Unit 2201, 22nd Floor
Cosco Tower
183 Queen's Road Central
Hong Kong

14 May 2018

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

Dear Sirs,

MAJOR TRANSACTION AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Framework Agreement, the Continuing Financial Services Transactions and the Proposed Financial Services Caps. Details of which are set out in the "Letter from the Board" (the "Letter from the Board") contained in the circular issued by the Company to the Shareholders dated 14 May 2018 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular unless the context requires otherwise.

The Financial Services Framework Agreement

On 20 April 2018, the Company entered into the Financial Services Framework Agreement with Minmetals Finance, pursuant to which Minmetals Finance has agreed to provide financial services (including current and fixed deposit, loan and settlement services) to the Company and its subsidiaries in Mainland China subject to the terms and conditions provided therein. Although the 2015 Financial Services Agreement is due for expiry on 31 December 2018, the Company, as stated in the Letter from the Board, is taking the opportunity to review its key continuing connected transactions with the members of China Minmetals and is satisfied with the financial services provided by Minmetals Finance. Accordingly, the Company intends to continue to retain Minmetals Finance to provide the financial services as detailed in the 2015 Financial Services Agreement and entered into the Financial Services Framework Agreement.

LETTER FROM ABLE CAPITAL

Since Minmetals Finance is a subsidiary of China Minmetals, the ultimate controlling shareholder of the Company, Minmetals Finance is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Deposit services

As one of the applicable percentage ratios for the provision of deposits that the Group may place with Minmetals Finance under the deposit services provided by Minmetals Finance under the Financial Services Framework Agreement exceeds 25% but all of which are less than 100%, the provision of deposit services by Minmetals Finance constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since each of the applicable percentage ratios for the deposits that the Group may place with Minmetals Finance under the deposit services provided by Minmetals Finance under the Financial Services Framework Agreement exceeds 5%, it is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Loan services

The provision of loan services by Minmetals Finance under the Financial Services Framework Agreement constitutes financial assistance to be provided by a connected person for the benefit of the Group. Since such services shall be on normal commercial terms, on terms (including interest) no less favourable to the Company and its subsidiaries in Mainland China than those that could be obtained from independent third parties, and no security over the assets of the Group shall be granted in respect of the loans to be provided by Minmetals Finance, it is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Settlement services

As the settlement services to be provided by Minmetals Finance to the Company and its subsidiaries in Mainland China under the Financial Services Framework Agreement will be free of handling charge, it is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

The Independent Board Committee which comprises all three independent non-executive Directors, namely Mr. Selwyn Mar, Mr. Lam Chung Lun, Billy and Ms. Law Fan Chiu Fun, Fanny has been established to consider and to give advice and recommendation to the Independent Shareholders as to whether the terms of the Financial Services Framework Agreement are fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and as to how to vote on the resolution to be proposed at the SGM.

LETTER FROM ABLE CAPITAL

As the independent financial adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the provision of deposit services by Minmetals Finance under the Financial Services Framework Agreement are in the Group's ordinary and usual course of business and together with the Proposed Financial Services Caps are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Financial Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) whether the Proposed Financial Services Caps have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the SGM.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company, its subsidiaries and Minmetals Finance that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the Company, its subsidiaries and Minmetals Finance. Accordingly, we are qualified to give independent advice in respect of the Continuing Financial Services Transactions.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group and Minmetals Finance

1.1 The Group

The Group is principally engaged in the businesses of real estate development, specialised construction, property investment and securities investment. Below is a summary of the operating results of the Group for the two years ended 31 December 2016 and 2017 as extracted from the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”).

	For the year ended 31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	11,935,505	11,576,345
Gross profit	4,093,570	2,260,312
Finance income	147,039	241,362
Finance costs	(114,674)	(55,669)
Profit for the year attributable to equity holders of the Company	712,914	512,058
	As at 31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Total assets	49,018,381	40,862,081
Total liabilities	35,415,843	32,312,209
Net assets	13,602,538	8,549,872
Cash and bank deposits, restricted	623,774	242,201
Cash and bank deposits, unrestricted	5,631,889	5,431,519

Source: the Company's 2017 Annual Report

LETTER FROM ABLE CAPITAL

For the year ended 31 December 2017

For the year ended 31 December 2017, the Group's revenue amounted to HK\$11,935.5 million, representing an increase of 3.1% from HK\$11,576.3 million of last year. The overall growth in revenue was attributable to the growth in the real estate development segment and the specialised construction segment of the Group which off-set the decrease in revenue of property investment segment.

Since properties with higher profit margin were being delivered and recognised, overall gross profit margin improved significantly from 19.5% to 34.3% during the year ended 31 December 2017. The significant increase in finance costs to HK\$114.7 million (31 December 2016: HK\$55.7 million) was due to an increase in raising external funding. The decline in finance income to HK\$147.0 million (31 December 2016: HK\$241.4 million) was because more cash funding was deployed by the Group for land bidding and acquisitions.

As a result of the foregoing, profit attributable to equity holders of the Company surged 39.2% to HK\$712.9 million from HK\$512.1 million of last year.

As at 31 December 2017, the Group's net assets increased 59.1% to HK\$13,602.5 million (31 December 2016: HK\$8,549.9 million), which was primarily attributable to the appreciation of Renminbi exchange rate and a perpetual capital instrument of RMB2,000 million (equivalent to HK\$2,392.6 million) issued by the Company during the year. As at 31 December 2017, cash and bank deposits (excluding restricted cash and bank deposits) of the Group amounted to HK\$5,631.9 million (31 December 2016: HK\$5,431.5 million). The gearing ratio (calculated as net debt divided by total equity) of the Group as at 31 December 2017 remained healthy at 62.4% (31 December 2016: 69.5%). The slight decline in the gearing ratio was attributable to the higher degree of increase in total equity than net debt, which was mainly due to the issuance of the perpetual capital instrument aforementioned during the year. Finance costs charged to the profit or loss for the year ended 31 December 2017 amounted to HK\$114.7 million (31 December 2016: HK\$55.7 million) after capitalisation of HK\$539.1 million (31 December 2016: HK\$407.2 million) into properties under development. The unutilised banking facilities of the Group amounted to HK\$4,544.5 million (31 December 2016: HK\$3,464.6 million) as at 31 December 2017.

Outlook

Throughout the year of 2017, the Chinese government has stated in position that housing is for dwelling purposes of the population and thus the property development should be driven by real demand rather than market speculation. As a result, various property-related policies were imposed by local governments across different tiers of cities in order to accelerate the housing system reform. In the wake of the 13th National People's Congress of China held in the early March 2018, the Management is of the view that cooling and controlling measures will continue to be taken place in 2018, focusing on the establishment of policies for rental housing and property sales system so as to promote the stable and healthy development of the property market in the long term. Therefore, the Management expects that the property market will remain relatively stable with lower volatility and the operating environment shall be slightly favourable than the year of 2017, and as the controlling measures are gradually moving from Tier 1 and 2 cities to Tier 3 and 4 cities, the growth cycle in Tier 3 and 4 cities is expected to come to an end. Nevertheless, the Management believes that property developers will still have pricing power in the short run due to the low inventory level in Tier 1 and 2 cities and the healthy inventory level in most other cities. Therefore, the Group will adjust the strategy on a timely manner, seize opportunities to deepen its presence in core cities and explore the feasibility of transforming to an urban developer and take expedient actions in advance.

In terms of investment, during 2017, the Group has successfully replenished its land bank by adding four new projects in Wuhan and Nanjing to its real estate development portfolio through land bidding auctions and joint ventures. In 2018, the Management expects that the Group will continue to enlarge its presence in cities where it has advantageous position, focusing on core regional cities investment and expanding in selected core Tier 2 cities as and when appropriate in a prudent and rational manner.

From a funding perspective, a shrinking balance sheet of the Federal Reserve in the United States is likely to bring instability in the global financial market and a tightening global monetary policy, which will put more pressure on China's economic growth. In view of the above, the Management anticipates that the interest rates will rise and the credit market in both onshore and offshore will be tightening in the near future. In view of the global tightening financing environment and the rising trend of interest rates in the United States which have been raised four times since 2017, we concur with the view of the Management that the renewal of transactions in relation to the provision of financial services by Minmetals Finance can serve the operational and financial needs of the Group in the anticipation of rising interest rates and tightening credit market in the near future.

1.2 Minmetals Finance

Minmetals Finance, a subsidiary of China Minmetals, is a non-banking financial institution established in the PRC on 26 May 1993 under the approval of PBOC. It is principally engaged in the provision of financial services to China Minmetals and its subsidiaries (including the Group). It is subject to the supervision of the CBRC. According to its business licence, it is authorised to provide to the Company and its subsidiaries in Mainland China all services set out in the Financial Services Framework Agreement.

2. The Financial Services Framework Agreement

2.1 The principal terms relating to the provision of deposit services by Minmetals Finance under the Financial Services Framework Agreement

Below are the key terms of the provision of deposit services by Minmetals Finance under the Financial Services Framework Agreement which we have considered. Details of the said agreement are set out in the Letter from the Board.

- (i) All transactions contemplated under the Financial Services Framework Agreement, including the deposit services, shall be undertaken on normal commercial terms, or on terms no less favourable to the Company and its subsidiaries in Mainland China than those that could be obtained from independent third parties, and on terms (including interest) which are most favourable to the Company and its subsidiaries in Mainland China as compared to terms offered by Minmetals Finance to other subsidiaries of China Minmetals.
- (ii) Interest rates on deposits placed with Minmetals Finance by the Company and its subsidiaries in Mainland China shall not be lower than (a) the highest interest rates for comparable category of deposits offered by other major PRC commercial banks with which the Company and its subsidiaries in Mainland China have established business relationship; and (b) the highest interest rate offered by Minmetals Finance to other subsidiaries of China Minmetals for comparable category of deposits, whichever is the higher.
- (iii) The Company and its subsidiaries in Mainland China have the right to use other financial service providers according to operational needs and to determine the deposit amount as well as the schedule for withdrawal of deposits (other than fixed deposits with specified deposit terms).

The Directors confirm that the Company and its subsidiaries in Mainland China, shall obtain quotation of interest rates from no less than two major PRC commercial banks or financial institutions with which the Company and its subsidiaries in Mainland China have established business relationship before deciding to place deposits with Minmetals Finance. Should the interest rates from the abovementioned PRC commercial banks or financial institutions be more favourable than that offered by Minmetals Finance, the Company and its subsidiaries in Mainland China would not place the deposits with Minmetals Finance. We have reviewed a selected sample of deposit transactions placed with Minmetals Finance and PRC commercial banks during the period of the 2015 Financial Services Agreement which support the policies of the Company and its subsidiaries in Mainland China to place deposits with Minmetals Finance only when it offered the highest interest rate.

As part of its treasury management strategy, the Group sought to monitor and manage its members in depositing cash resources among major banks and/or financial institutions in the PRC as a measure to control the Group's credit risk exposure to these institutions and to enhance yield of interest income. As a result, we noted that the Company and its subsidiaries in Mainland China have from time to time placed deposits with over 35 commercial banks in the PRC. Taking into account the commercial terms of the Financial Services Framework Agreement, we are of the view that the terms with regard to the provision of deposit services by Minmetals Finance under the Financial Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2.2 Reasons for and benefits of the transactions contemplated under the Financial Services Framework Agreement

As mentioned in the Letter from the Board that the Company is taking the opportunity to review its key continuing connected transactions with the members of China Minmetals. The Company is satisfied with the attentive services provided by Minmetals Finance since the inception of these services in November 2013. In consideration of the Group's treasury management strategy and the operational needs to secure the stable provision of the financial services under the Financial Services Framework Agreement in anticipation of the expected trend in rising interest rates and tightening credit market, the Company is desirous to bring forward the renewal arrangement of the 2015 Financial Services Agreement.

In addition, taking into account the business development plans of the Group, the Company entered into the Financial Services Framework Agreement to accommodate the new, and higher, maximum daily outstanding balance of deposits to be placed into Minmetals Finance and to meet the financial requirements of the Group.

LETTER FROM ABLE CAPITAL

We understand that Minmetals Finance, as a regulated financial institution, is required to comply with all rules and operational requirements of the regulatory authorities, namely the CBRC. As such, the utilisation of the deposit services provided by Minmetals Finance would not expose the Group to additional financial risk as compared to utilising deposit services provided by similar financial institutions that are governed by the same rule and operational requirements of the CBRC. In addition, Minmetals Finance is restricted to offer its services only to China Minmetals and its subsidiaries. Thus, Minmetals Finance, as part of the group companies of China Minmetals, has better access to financial information of China Minmetals and its subsidiaries, which enables it to perform more accurate and insightful credit assessment than lending to other external entities.

As Minmetals Finance is restricted to provide financial services to China Minmetals and its subsidiaries only, it will have fewer borrowers as compared to PRC commercial banks, which will in turn enable it to focus on monitoring the performance of those loans with China Minmetals and/or its subsidiaries. As such, Minmetals Finance's loan book and credit exposure are restricted to only members of China Minmetals as compared with the more diversified and wider types of customers (and the respective default risks) served by the PRC commercial banks. In addition, as stated in the Letter from the Board, we were given to understand that any fixed deposits placed with Minmetals Finance by the Company or any of its subsidiaries in Mainland China shall not exceed 3 months. In light of the aforementioned operational restriction of Minmetals Finance and given the Company has the right to terminate the Financial Services Framework Agreement if Minmetals Finance from time to time, fails to maintain (i) a capital adequacy ratio of not less than 10%; (ii) a non-performing assets ratio of not more than 4%; or (iii) a non-performing loans ratio of not more than 5%, the Directors consider that these control measures would allow the Group to closely monitor with the view to safeguard its deposits with Minmetals Finance under the Financial Services Framework Agreement.

We have also discussed with the Management regarding the abovementioned requirements of Minmetals Finance and the Management confirmed that, to their best knowledge, they are not aware of any regulatory breach or failure to fulfil the abovementioned requirements by Minmetals Finance to the Latest Practicable Date. We also have obtained the audited financial statements of Minmetals Finance for the years ended 31 December 2016 and 2017 and noted that Minmetals Finance has fulfilled the abovementioned requirements.

In addition, given the status of Minmetals Finance as an intra-group service provider, in comparison to other PRC commercial banks or financial institutions, Minmetals Finance has the advantages of (i) better understanding of the operations of the Company and its subsidiaries in Mainland China, which the Directors believe will lead to more expedient and efficient services; and (ii) better communication with the Group.

LETTER FROM ABLE CAPITAL

As described above, the Group is neither obliged nor committed to utilize the deposit services of Minmetals Finance under the Financial Services Framework Agreement if the interest rates of deposits are less favourable in comparison to those offered by other major PRC commercial banks or financial institutions with which the Company and its subsidiaries in Mainland China have established business relationship. This allows the Company and its subsidiaries in Mainland China to have the flexibility and discretion to select the appropriate provider for deposit services.

As in previous arrangement, the Company or its relevant subsidiaries in Mainland China is required to obtain prior written approval from at least one or two executive Directors (depending on the size of the deposit, i.e. (i) below RMB200 million or (ii) RMB200 million or more) for the placing of deposits by the Company and its subsidiaries in Mainland China with Minmetals Finance. This would ensure that proper internal control procedures will be complied with and will also prevent unauthorised utilisation of the deposit services offered by Minmetals Finance. Further details of the additional internal control procedures to manage the deposit services offered by Minmetals Finance are set out in the Letter from the Board. As part of our work, we have reviewed a selected sample of the relevant documents which support the proper approvals of the placing of the relevant deposits.

In respect of the loan services, the Company and its subsidiaries in Mainland China can obtain unsecured loans from Minmetals Finance, providing the Group with an additional channel for financing. In addition, the Group is neither obliged nor committed to utilize the loan services of Minmetals Finance under the Financial Services Framework Agreement if the interest rates of loans are less favourable in comparison to those offered by other major PRC commercial banks or financial institutions with which the Company and its subsidiaries in Mainland China have established business relationship. Hence, the Company and its subsidiaries in Mainland China have the flexibility and discretion to select the appropriate provider for loan services. The Company and its subsidiaries in Mainland China also have the rights to determine the loan amounts, which will be conducted on normal commercial terms or better.

As described in the section headed “Background information of the Group and Minmetals Finance” above, the Group has successfully replenished its land bank by adding four new land parcels in Wuhan and Nanjing in 2017 and will continue to deepen its presence in core cities in the near future. As such, the Group will have increasing demand on funds for further real estate development and business expansion. Considering the tightening trend in the credit market for real estate industry and the potential rise in interest rate as discussed above, the loan services contemplated under the Financial Services Framework Agreement would provide a possible source of funding at competitive or at more favourable interest rate from Minmetals Finance.

LETTER FROM ABLE CAPITAL

In summary and considering that (i) the transactions contemplated under the Financial Services Framework Agreement will be conducted on normal commercial terms or on terms no less favourable to the Company and its subsidiaries in Mainland China than those that could be obtained from independent third parties and on terms which are most favourable to the Company and its subsidiaries in Mainland China as compared to the terms offered by Minmetals Finance to subsidiaries of China Minmetals; (ii) the deposit services contemplated under the Financial Services Framework Agreement are undertaken in the ordinary and usual course of the Group's business given the principal businesses of Minmetals Finance; and (iii) the deposits being placed by the Company and its subsidiaries in Mainland China with Minmetals Finance will generate interest at a rate no less favourable than those available from other independent PRC commercial banks and which are the most favourable to the Company and its subsidiaries in Mainland China as compared to the terms offered by Minmetals Finance to subsidiaries of China Minmetals, the Directors believe and we concur that the utilisation of the services under the Financial Services Framework Agreement is in the interests of the Company and the Shareholders as a whole.

2.3 Proposed Financial Services Caps

As disclosed in the 2015 Circular, the historical annual caps in respect of the 2015 Continuing Financial Services Transactions for each of the two years ended 31 December 2016 and 2017 and the year ending 31 December 2018 were RMB1,800 million (approximately HK\$2,234.16 million).

Set out below are the historical transaction amounts between the Company and Minmetals Finance under the 2015 Financial Services Agreement:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the period from 1 January 2018 to the Latest Practicable Date
Maximum daily outstanding balance of deposits (including accrued interests)	approximately RMB1,798 million (approximately HK\$2,231.7 million)	approximately RMB1,796 million (approximately HK\$2,229.2 million)	approximately RMB1,796 million (approximately HK\$2,229.2 million)
Utilisation rate	99.9%	99.8%	99.8%

LETTER FROM ABLE CAPITAL

The Proposed Financial Services Caps on the maximum daily outstanding balance of deposits (including accrued interests) placed by the Company and its subsidiaries in Mainland China with Minmetals Finance pursuant to the Financial Services Framework Agreement are as follows:

	From 20 April 2018 to 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020	From 1 January 2021 to 19 April 2021
Maximum daily outstanding balance of deposits (including accrued interests)	RMB2,000 million (approximately HK\$2,482.4 million)	RMB2,000 million (approximately HK\$2,482.4 million)	RMB2,000 million (approximately HK\$2,482.4 million)	RMB2,000 million (approximately HK\$2,482.4 million)

As stated in the Letter from the Board, the Proposed Financial Services Caps was arrived at after taking into consideration of several factors, including (i) the historical transaction figures as stated above; (ii) the treasury management strategy of the Group taking into account the cash flow requirements and financial needs of the Group for its business development plans; and (iii) the expected increase in sales revenue and the expected amount of cash of the Company and its subsidiaries in Mainland China in the coming three years ending 31 December 2021, taking into account in particular the expected growth of the Group's business.

We have discussed with the Management the basis of the expected increase in sales revenue and the expected amount of cash of the Company and its subsidiaries in Mainland China in the three years ending 31 December 2021. In particular, we have considered the development plan of the Group's real estate development projects, the outlook of the business of the Group as mentioned in the section headed "Background information of the Group and Minmetals Finance" above and the practically full utilisation of the current caps as shown above. We are of the view that the basis for the Management to derive the Proposed Financial Services Caps is justifiable and reasonable.

In connection with the high utilisation rate of the deposit services as mentioned above, we have discussed with the Management and understand that the previous annual caps were taken into account the then business development plans and the treasury management strategy of the Group. Having considered the Group recorded significant growth in revenue in the last two years and has successfully replenished its land bank by adding four new land parcels in Wuhan and Nanjing in 2017, the Management expects that the Group shall, continue to manage substantial cash resources for further real estate development in the near future. With these developments, the Board considers it necessary to continue to implement its treasury management strategy and to closely monitor and to control risk arising from the Group's cash deposits.

LETTER FROM ABLE CAPITAL

We have compared the previous annual caps and the Proposed Financial Services Caps and noted that the Proposed Financial Services Caps represent an increase of approximately 11%. Balancing the Group's need for liquidity, availability, the expected financial and operational needs and the perspective of close managing and monitoring of the risk arising from the Group's cash deposits, we consider that the degree of increase in the Proposed Financial Services Caps is justifiable and acceptable.

As mentioned in paragraph 2.1 above, we noted that the Company and its subsidiaries in Mainland China have from time to time placed deposits with over 35 commercial banks in the PRC. For the two years ended 31 December 2016 and 2017, the Management confirms that no more than 50% of the aggregate cash balance of the Group had been deposited at any point in time with any single commercial bank or financial institution in the PRC. According to the Management, as at 31 December 2017, approximately 34% of the aggregate cash balance of the Group was deposited with Minmetals Finance. Given that:

- (i) the Proposed Financial Services Caps (being the maximum daily balance of deposits) represent no more than 50% of the expected aggregate cash balance of the Company and its subsidiaries in Mainland China for the three years from 20 April 2018 to 19 April 2021, which supports the Group's existing treasury management strategy to better control the Group's credit risk exposure to a single commercial bank or financial institution;
- (ii) the Company and its subsidiaries in Mainland China have from time to time placed deposits with over 35 commercial banks in the PRC, the provision of deposit services by Minmetals Finance offers the Company and its subsidiaries in Mainland China an additional choice for selection;
- (iii) the Group is neither obliged nor committed to utilise the deposit services of Minmetals Finance under the Financial Services Framework Agreement if the interest rates of deposits are less favourable in comparison to those offered by other major PRC commercial banks or financial institutions with which the Company and its subsidiaries in Mainland China have established business relationship (see paragraph 2.2 above); and
- (iv) such maximum amount of daily balance of deposits is justifiable and reasonable since it would provide maximum flexibility to the Group's management of its treasury strategy subject to Minmetals Finance's offer being the most favourable interest rates in comparison to other major PRC commercial banks or financial institutions,

we are of the view that the Proposed Financial Services Caps (being the maximum daily balance of deposits) to be fair and reasonable.

3. Continuing connected transactions requirements under the Listing Rules

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors are required to review the Group's continuing connected transactions annually and confirm in the Company's annual report that they have been carried out (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In compliance with the Listing Rules, the Company will engage auditors to report on the Group's continuing connected transactions in relation to the Financial Services Framework Agreement for the period from 20 April 2018 to 31 December 2018, the year ending 31 December 2019, the year ending 31 December 2020 and the period from 1 January 2021 to 19 April 2021. Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the continuing connected transactions contemplated under the Financial Services Framework Agreement will be conducted on terms in compliance with the provisions of the Listing Rules.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the provision of deposit services by Minmetals Finance under the Financial Services Framework Agreement are in the Group's ordinary and usual course of business and together with the Proposed Financial Services Caps are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Financial Services Framework Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Proposed Financial Services Caps have been fairly and reasonably arrived at.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Financial Services Framework Agreement (including the Proposed Financial Services Caps) at the SGM.

Yours faithfully,
For and on behalf of
Able Capital Partners Limited
Ambrose Lam
Director

Mr. Ambrose Lam is a licensed person registered with the Securities and Futures Commission and as responsible officer of Able Capital Partners Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Ambrose Lam has over 30 years of experience in corporate finance industry.

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017 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 2015 (pages 73 to 199);
- the annual report of the Company for the year ended 31 December 2016 (pages 101 to 235); and
- the annual report of the Company for the year ended 31 December 2017 (pages 145 to 277).

INDEBTEDNESS

Bank borrowings

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding bank borrowings of approximately HK\$12,637.27 million, details of which are set out below:

Bank borrowings	<i>HK\$' million</i>
Short term bank loan, secured and guaranteed	2,099.03
Short term bank loan, unsecured and guaranteed	233.51
Long term bank loan, secured and guaranteed	2,042.95
Long term bank loan, unsecured and guaranteed	7,740.12
Long term bank loan, secured and unguaranteed	<u>521.66</u>
	<u><u>12,637.27</u></u>

Amounts due to an associate

As at the close of business on 31 March 2018, the Group had outstanding amounts due to an associate of approximately HK\$1,331.55 million, which are unsecured and unguaranteed.

Amount due to a non-controlling shareholder of a subsidiary

As at the close of business on 31 March 2018, the Group had outstanding amount due to a non-controlling shareholder of a subsidiary of approximately HK\$71.95 million, which is unsecured and unguaranteed.

Amount due to a fellow subsidiary

As at the close of business on 31 March 2018, the Group had outstanding amount due to a fellow subsidiary of approximately HK\$3,203.62 million, which is unsecured and unguaranteed.

Charges on the Group's assets

As at the close of business on 31 March 2018, certain assets of the Group were pledged as securities for the Group's banking facilities and mortgage loans granted to buyers of sold properties and these pledged assets of the Group include bank deposits, properties under development and 100% equity interest in subsidiaries.

Guaranteed bonds

As at the close of business on 31 March 2018, the Group had guaranteed bonds of approximately HK\$1,761.89 million and HK\$973.03 million, which have been matured on 26 April 2018 and will be matured on 26 April 2023, respectively. The principal amounts of the guaranteed bonds are US\$225 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.

Contingent liabilities

As at the close of business on 31 March 2018, the Group had provided guarantees to certain banks relating to mortgage facilities arranged for certain buyers of properties developed by the Group and the outstanding mortgage loans under these guarantees amounted to HK\$12,792.63 million.

General

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 March 2018.

WORKING CAPITAL

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

FINANCIAL AND TRADING PROSPECTS OF THE GROUP**Financial and trading prospects of the Group**

In 2018, in the pursuit of steady growth and rapid improvement in the quality of development, we adopted the operational strategy of striving for growth amidst maintaining stable performance, promoting business model innovation, enhancing quality of management and operational efficiency, grasping the best timing for launching pre-sales and achieving sustainable development.

In terms of investment, we will adhere to a prudent investment strategy of enlarging our presence in cities where we have advantageous position, focusing on core regional cities investment and expanding in selected core Tier 2 cities as and when appropriate. We will look at alternatives for acquiring land by exploring new project opportunities through leveraging on the existing ones. Further, we will seek collaborate initiatives with local government, leading industry players and companies with advantageous land resources.

In terms of financial management, we will adhere to prudent financial management policies to closely monitor debt ratio and operating expenses, strengthen capital market capability, optimize asset composition, and utilize our advantageous listed position for capital raising in Hong Kong.

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

As at the Latest Practicable Date, the interests and short position of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of 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, to be notified to the Company and the Stock Exchange were as follows:

Interests in Shares

Name of Director	Type of interest	Number of Shares held	Approximate percentage of total issued Shares
Mr. He Jianbo	Personal	2,040,000	0.06%
Ms. He Xiaoli	Personal	1,163,333	0.03%
Mr. Yang Shangping	Personal	2,006,667	0.06%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company hold any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (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 for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors is a director or employee of a company which has 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. Li Fuli, Mr. He Jianbo, Ms. He Xiaoli, Mr. Liu Zeping and Mr. Yang Shangping are employees of China Minmetals; and
- (b) Mr. Li Fuli is a director of CMCL.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors and chief executive of the Company) had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Interest in Shares	Approximate percentage of total issued Shares
China Minmetals	2,071,095,506	61.91%
CMCL	2,071,095,506	61.91%
五礦有色金屬控股有限公司 China Minmetals Non-Ferrous Holding Company Limited* (“CMNH”)	2,071,095,506	61.91%
五礦有色金屬股份有限公司 China Minmetals Non-Ferrous Metals Company Limited* (“CMN”)	2,071,095,506	61.91%
Album Enterprises Limited (“Album Enterprises”)	2,071,095,506	61.91%
Minmetals HK	2,071,095,506	61.91%
June Glory	2,071,095,506	61.91%

Note: June Glory is a wholly-owned subsidiary of Minmetals HK, which in turn is owned as to approximately 39.04%, 38.95% and 22.01% by CMCL, Album Enterprises and Top Create Resources Limited respectively. Album Enterprises and Top Create Resources Limited are wholly-owned by CMN, which in turn is owned as to approximately 99.999% and 0.001% by CMNH and CMCL respectively. CMNH is a wholly-owned subsidiary of CMCL. CMCL is owned as to approximately 88.4% by China Minmetals. Accordingly, each of China Minmetals, CMCL, CMNH, CMN, Album Enterprises and Minmetals HK was deemed as interested in the 2,071,095,506 Shares held by June Glory.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE CONTRACTS

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 Group which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. He Jianbo, being the Deputy Chairman, Managing Director 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), 五礦置業有限公司 Minmetals Real Estate Co., Ltd.* (“Minmetals Real Estate”, a non wholly-owned subsidiary of China Minmetals) and 五礦地產控股有限公司 Minmetals Land Holdings Limited* (“Minmetals Land Holdings”, a non wholly-owned subsidiary of China Minmetals).

Ms. He Xiaoli, being a Deputy Managing Director and an executive Director of the Company, is also a director of Minmetals Land Holdings.

Mr. Liu Zeping, being a Deputy Managing Director and an executive Director of the Company, is also a director of Yingkou Industrial Park, Minmetals Real Estate and Minmetals Land Holdings.

All of Yingkou Industrial Park, Minmetals Real Estate 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. Minmetals Real Estate 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., holding company of China Resources Land Limited, a company engaged in real estate development operation in the PRC.

In case 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 2017 (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 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 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. 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 Group has 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 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 Group within the two years immediately preceding the date of this circular:

- (a) As set out in the announcement of the Company dated 27 May 2016, 北京盛世廣業投資管理有限公司 Beijing Shengshi Guangye Investment Management Co., Ltd.* (“Shengshi Guangye”, a wholly-owned subsidiary of the Company) and, among other parties, entered into a framework agreement with 深圳泛華工程集團有限公司 Shenzhen Pan-China Engineering Co., Ltd.* (the “JV Partner”) and 博羅縣碧華房地產開發有限公司 Boluo County Bihua Property Development Company Limited* (the “Project Company” undertaking the real estate

development project Hallstatt See in Huizhou, the PRC) on 27 May 2016 pursuant to which (i) the JV Partner conditionally agreed to sell its 20% equity interest in the Project Company to Shengshi Guangye at a consideration of RMB89,430,348.19 (approximately HK\$107,316,417.83); (ii) the Project Company conditionally agreed to repay shareholder's loan and interests in an aggregate amount of RMB41,391,948.29 (approximately HK\$46,670,337.95) to the JV Partner; (iii) the Project Company conditionally agreed to repay the outstanding construction fees in an aggregate amount of RMB105,267,033.88 (approximately HK\$126,320,440.66) to the JV Partner; and (iv) waive certain claims against each other. Further details of the framework agreement are set out in the said announcement;

- (b) As set out in the announcement of the Company dated 6 December 2016, 北京萬湖房地產開發有限公司 Beijing Wanhui Property Development Co., Ltd.* (“Beijing Wanhui”, a 51%-owned subsidiary of the Company), Minmetals Land Investment Management Limited (“MLIML”, a wholly-owned subsidiary of the Company) and 北京萬科企業有限公司 Beijing Vanke Co., Ltd.* (“Beijing Vanke”, a holder of 49% of the equity interest of Beijing Wanhui) entered into a second supplemental agreement on 6 December 2016 whereby the term of the framework agreement as supplemented by a subsequent supplemental agreement was extended to 31 December 2019 and the cap on the entrustment loans that may be provided to MLIML (or its designated wholly-owned subsidiary in the PRC) and Beijing Vanke be revised to an amount of not exceeding RMB3,519 million (approximately HK\$4,030 million) and RMB3,381 million (approximately HK\$3,876 million) respectively. Further details of the second supplemental framework agreement are set out in the said announcement;
- (c) As set out in the announcement of the Company dated 6 December 2016, 廊坊曠世基業房地產開發有限公司 Langfang Kuangshi Jiye Property Development Co., Ltd.* (“Kuangshi Jiye”, a non wholly-owned subsidiary of the Company owned as to 50% by Hanten Investment Limited (“Hanten”, a wholly-owned subsidiary of the Company) and as to the remaining 50% by Beijing Vanke) entered into a framework agreement with Hanten and Beijing Vanke on 6 December 2016, pursuant to which Kuangshi Jiye may during the term from 1 January 2017 to 31 December 2019 provide loans by way of entrustment loans to Hanten (or its designated fellow subsidiary in the PRC) for an amount not exceeding RMB300 million (approximately HK\$344 million) and to Beijing Vanke for an amount not exceeding RMB300 million (approximately HK\$344 million) based on the same terms and conditions and in proportion to their respective shareholding in Kuangshi Jiye with interest and on an unsecured basis. Further details of the framework agreement are set out in the said announcement;
- (d) As set out in the announcement of the Company dated 6 December 2016, an equity transfer agreement was entered into between 五礦建設投資管理(北京)有限公司 Minmetals Land Investment Management (Beijing) Co., Ltd.* (“Minmetals Land Beijing”, a wholly-owned subsidiary of the Company) as purchaser and China Resources Sztic Trust Co., Ltd. 華潤深國投信託有限公司 (“CRSTC”) as vendor on 6 December 2016 for the acquisition of approximately 33.33% of the

equity interest held by CRSTC in 礦濟地產(南京)有限公司 Kuangji Properties (Nanjing) Co., Ltd.* (a non-wholly-owned subsidiary of the Company) by Minmetals Land Beijing for a consideration of RMB2,238,158,520 (approximately HK\$2,565,824,927). Further details of the equity transfer agreement are set out in the said announcement;

- (e) As set out in the announcement of the Company dated 23 January 2017, a new co-operation agreement was entered into between the Kuangshi Jiye and 廊坊萬恒盛業房地產開發有限公司 Langfang Wanheng Shengye Property Development Co., Ltd.* (“Wanheng Shengye”) (collectively, the “JV Companies”) and a company established in the PRC and designated by the local government of Hebei Province to organise the relocation and preparation work of the Second Land Parcel (as defined hereinafter) and the Fourth Land Parcel (as defined hereinafter) for development (the “New Co-organiser”) on 23 January 2017 pursuant to which the New Co-organiser agreed to (i) organise the relocation and preparation work in respect of the Second Land Parcel (a piece of land situated in Langfang City of Hebei Province with a site area of approximately 264,929 square metres) for delivery to the JV Companies at a consideration of approximately RMB789 million (approximately HK\$884 million) which includes the balance of the amount payable to the local government authority in the PRC for the acquisition of the land use rights; and (ii) organise the relocation and preparation work in respect of the Fourth Land Parcel (a piece of land situated in Langfang City of Hebei Province with a site area of approximately 113,333 square metres) for public auction purpose, for delivery to the JV Companies at a consideration of approximately RMB1,482 million (approximately HK\$1,660 million) which includes the fees payable to the local government authority in the PRC for the acquisition of the land use rights. Further details of the new co-operation agreement are set out in the said announcement;
- (f) As set out in the announcement of the Company dated 19 April 2017, a framework agreement was entered into between the Company and China Minmetals in relation to the engagement of member(s) of the China Minmetals Group as construction contractor(s) in respect of the real estate development projects of the Group in the PRC and Hong Kong for the three years from 19 April 2017 to 18 April 2020. Further details of the agreement are set out in the said announcement;
- (g) As set out in the announcement of the Company dated 11 May 2017, a second supplemental agreement was entered into between Minmetals Land Beijing and 北京第五廣場置業有限公司 Beijing Fifth Plaza Real Estate Co., Ltd.* (“Fifth Plaza Co”, a subsidiary of China Minmetals) on 11 May 2017 pursuant to which the parties agreed, among other things, the reduction of the monthly rent per square metre for the premises situated at 7th floor and part of BM and B1 floors, Tower A, Minmetals Plaza, Beijing, the PRC (the “Premises”) and the rental areas of the Premises. Further details of the second supplemental agreement are set out in the said announcement;

- (h) As set out in the announcement of the Company dated 29 November 2017, Kuangshi Jiye entered into a service agreement with Beijing Vanke on 29 November 2017 in relation to the provision of project development management services by Beijing Vanke to the real estate development project Minmetals Vanke City in Hebei Province, the PRC (the “Project”) at an aggregate service fee, being 3% of the total contracted sales for property units of the Project, which shall not exceed RMB75,000,000 (approximately HK\$86,040,000). Further details of the project management service agreement are set out in the said announcement;
- (i) As set out in the announcement of the Company dated 14 December 2017, a capital increase agreement was entered into between 五礦建設(營口)恒富置業有限公司 Minmetals Land (Yingkou) Hengfu Properties Co., Ltd.* (“Hengfu Properties”, a wholly-owned subsidiary of the Company), 金地集團南京置業發展有限公司 Gemdale Corporation Nanjing Properties Development Limited* (“Gemdale”), 保利江蘇房地產發展有限公司 Poly Jiangsu Real Estate Development Co., Ltd.* (“Poly Jiangsu”) and 嘉興金廣投資合伙企業(有限合伙) Jiaxing Jinguang Investment Partnership (L.P.) on 14 December 2017, pursuant to which each of the parties agreed to make cash contributions of RMB0.144 million, RMB8.400 million, RMB19.400 million and RMB0.056 million respectively (approximately HK\$0.165 million, HK\$9.609 million, HK\$22.191 million and HK\$0.064 million respectively) into the registered capital of 南京礦利金房地產開發有限公司 Nanjing Kuanglijing Property Development Co., Ltd.* (the “JV Company”) in which the Group originally owned as to 50.8% of its registered capital. Upon completion of the increase of the registered capital of the JV Company, Hengfu Properties’ interest in the registered capital of the JV Company would reduce from 50.8% to 39.8% and Poly Jiangsu’s interest in the registered capital of the JV Company would increase from 19% to 30%. Further details of the capital increase agreement are set out in the said announcement;
- (j) As set out in the announcement of the Company dated 3 January 2018, a deed of novation was entered into between Texion Development Limited (“Texion”, a wholly-owned subsidiary of the Company), Minmetals Capital (Hong Kong) Limited (“Minmetals Capital”, a subsidiary of China Minmetals) and Brightway Asset Management Limited (“Brightway Asset”, a subsidiary of China Minmetals) on 31 December 2017 pursuant to which Minmetals Capital agreed to novate and Brightway Asset agreed to assume all Minmetals Capital’s rights and obligations in and under the tenancy agreement entered into between Texion and Minmetals Capital for the lease of the premises situated at 9/F., China Minmetals Tower in Tsim Sha Tsui, Hong Kong (the “Premises”) (the “Tenancy Agreement”) with effect from 31 December 2017 for the remaining term of the Tenancy Agreement and Texion agreed to such substitution of the parties as tenant of the Premises. Further details of the deed of novation are set out in the said announcement; and

- (k) As set out in the announcement of the Company dated 4 April 2018, a further co-operation agreement was entered into between the JV Companies and the New Co-organiser on 4 April 2018 subsequently to the new co-operation agreement as referred in paragraph (e) above, pursuant to which the New Co-organiser agreed to organise the relocation and preparation work of the Fifth Land Parcel (a piece of land situated at Langfang City of Hebei Province with a site area of approximately 46,690 square metres) for public auction purpose and for delivery to the JV Companies at a consideration of approximately RMB945 million (approximately HK\$1,172.93 million). Further details of the further co-operation agreement are set out in the said announcement.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited financial statements of the Company were made up.

10. EXPERT

- (a) Red Sun is a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities.
- (b) Able Capital is a licensed corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activities.
- (c) As at Latest Practicable Date, Red Sun 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 Red Sun are given as of the date of this circular for incorporation herein.
- (d) As at Latest Practicable Date, Able Capital 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 Able Capital are given as of the date of this circular for incorporation herein.
- (e) As at the Latest Practicable Date, Red Sun 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.
- (f) As at the Latest Practicable Date, Able Capital 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.

- (g) As at the Latest Practicable Date, Red Sun did not have any interest, directly or indirectly, in any asset which had been, since 31 December 2017 (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 Group.
- (h) As at the Latest Practicable Date, Able Capital did not have any interest, directly or indirectly, in any asset which had been, since 31 December 2017 (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 Group.

11. MISCELLANEOUS

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, 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 Institute of Chartered Secretaries and Administrators.
- (d) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, 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 annual reports of the Company for the two financial years ended 31 December 2016 and 2017;
- (c) the material contracts as referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this appendix;
- (d) the Specialised Construction Framework Agreement;
- (e) the Financial Services Framework Agreement;

- (f) 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;
- (g) the letter from Red Sun, the text of which is set out in the section headed “Letter from Red Sun” of this circular;
- (h) the letter from Able Capital, the text of which is set out in the section headed “Letter from Able Capital” of this circular;
- (i) the written consent referred to in paragraph headed “10. EXPERT” in this appendix; and
- (j) 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 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 Thursday, 31 May 2018 immediately after the conclusion of the annual general meeting to be held at the same location on Thursday, 31 May 2018 at 10:30 a.m. (the “Meeting”) for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(1) “THAT:

- (a) the conditional agreement dated 20 April 2018 entered into between the Company and China Minmetals Corporation (“China Minmetals”) in relation to the engagement of subsidiaries of the Company as specialised construction contractor(s) (subject to successful tender) in respect of existing and future real estate development projects of and construction projects undertaken or may be undertaken from time to time by China Minmetals and (i) its subsidiaries and (ii) entities whose financial statements have been accounted for in the financial statements of China Minmetals on a consolidated basis for the three years from 20 April 2018 to 19 April 2021 (the “Specialised Construction Framework Agreement”) and the transactions contemplated thereunder (including the proposed annual caps for the three years from 20 April 2018 to 19 April 2021) (details of which are described in the circular of the Company dated 14 May 2018 and a copy of which has been produced to this meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification) be hereby approved, ratified and confirmed; and
- (b) any one of the directors of the Company be hereby authorised to do all such further acts and things and execute such further documents and take all steps which in his/her opinion may be necessary, desirable or expedient to implement and/or give effect to the Specialised Construction Framework Agreement and the transactions contemplated thereunder.”

NOTICE OF SGM

(2) “THAT:

- (a) the Proposed New 2018–2020 Annual Caps (as defined in the circular of the Company dated 14 May 2018) in relation to the revision of annual caps under the 2017 Construction Agreement be hereby approved, ratified and confirmed; and
- (b) any one of the directors of the Company be hereby authorised to do all such further acts and things and execute such further documents and take all steps which in his/her opinion may be necessary, desirable or expedient to implement and/or give effect to the Proposed New 2018–2020 Annual Caps.”

(3) “THAT:

- (a) the deposit services to be provided by五礦集團財務有限責任公司 Minmetals Finance Co., Ltd.* (“Minmetals Finance”) to the Company and its subsidiaries in the Mainland China for the three years from 20 April 2018 to 19 April 2021 under the financial services framework agreement dated 20 April 2018 entered into between the Company and Minmetals Finance (the “Financial Services Framework Agreement”)(including the proposed annual caps for the three years from 20 April 2018 to 19 April 2021) (details of which are described in the circular of the Company dated 14 May 2018 and 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) be hereby approved and confirmed; and
- (b) any one of the directors of the Company be hereby authorised to do all such further acts and things and execute such further documents and take all steps which in his/her opinion may be necessary, desirable or expedient to implement and/or give effect to the Financial Services Framework Agreement and the transactions contemplated thereunder.”

By order of the Board of
Minmetals Land Limited

He Jianbo

Deputy Chairman and Managing Director

Hong Kong, 14 May 2018

NOTICE OF SGM

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 recognized 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 Tuesday, 29 May 2018. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Meeting or any adjournment thereof should they so wish.
3. The register of members of the Company will be closed from Monday, 28 May 2018 to Thursday, 31 May 2018 (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 Friday, 25 May 2018 for registration of share transfer.
4. The votes at the Meeting will be taken by poll.