



ONFEM HOLDINGS LIMITED

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 HK\$'000	2005 HK\$'000	Percentage change
Revenue	303,085	231,322	+31.0%
Profit for the year	105,845	28,149	+276.0%
Total assets	1,275,166	838,435	+52.1%
Total liabilities	457,337	238,401	+91.8%
Total equity	817,829	600,034	+36.3%
Earnings per share (HK cents)	13.71	3.65	+276.0%

FINANCIAL RESULTS

The board of directors (“Directors”) of ONFEM Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006 together with the comparative figures in 2005, as follows:

Consolidated Income Statement

For the year ended 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
Revenue	2	303,085	231,322
Cost of sales		(239,260)	(174,012)
Gross profit		63,825	57,310
Other income	3	2,867	10,317
Selling and distribution costs		(14,032)	(11,752)
Administrative expenses		(30,166)	(43,761)
Other operating expenses		(3,207)	(2,220)
Revaluation gain on investment properties		52,670	15,196
Write-back of provision for properties under development		36,276	–
Operating profit	4	108,233	25,090
Finance costs		(948)	(583)
Profit before tax		107,285	24,507
Income tax	5	(1,440)	3,642
Profit for the year		105,845	28,149
Attributable to:			
Equity holders of the Company		105,845	28,149
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– basic and diluted	6	13.71	3.65
Dividends	7	–	–

Consolidated Balance Sheet

As at 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		17,545	15,346
Investment properties		290,769	239,899
Goodwill		20,095	19,383
Available-for-sale financial assets		–	29,340
Deferred tax assets		932	932
Retention receivables		9,866	4,539
Other assets		197	349
		339,404	309,788
Current assets			
Inventories		488,607	214,796
Trade and other receivables	8	157,363	161,982
Gross amounts due from customers for contract work		617	744
Available-for-sale financial assets		136,080	–
Financial assets at fair value through profit or loss		–	2,778
Pledged deposits		36,994	5,000
Cash and bank deposits		116,101	143,347
		935,762	528,647
Total assets		1,275,166	838,435

EQUITY**Capital and reserves attributable to equity holders of the Company**

Share capital		77,218	77,218
Reserves		740,611	522,816
Total equity		817,829	600,034

LIABILITIES**Non-current liabilities**

Borrowings		99,640	–
Deferred tax liabilities		–	105
Other liabilities		6,226	7,220
		105,866	7,325

Current liabilities

Trade and other payables	9	168,323	157,600
Current tax payable		11,326	10,382
Borrowings		171,822	63,094
		351,471	231,076

Total liabilities

		457,337	238,401
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Total equity and liabilities

		1,275,166	838,435
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Net current assets

		584,291	297,571
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Total assets less current liabilities

		923,695	607,359
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Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	2006 HK\$'000	2005 HK\$'000
Balance at 1 January	600,034	568,527
Revaluation surplus of available-for-sale financial assets	106,740	900
Currency translation adjustments	5,210	2,458
Net income directly recognised in equity	111,950	3,358
Profit for the year, attributable to equity holders of the Company	105,845	28,149
Total recognised income for the year	217,795	31,507
Balance at 31 December	817,829	600,034

Notes to the Consolidated Financial Statements:

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss.

Amendments to published standards and new interpretation effective in 2006

In 2006, the Group adopted the following amendments to standards and new interpretation, which are relevant to its operations:

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the amendments to HKASs 19, 21, 39 and HKFRS 4, and the new HK(IFRIC)-Int 4 had no material impact on the consolidated financial statements.

2 Segment information**(a) Primary reporting format-business segments**

In accordance with its internal financial reporting, the Group has determined that business segments should be presented as the primary reporting format. The Group has categorised its businesses into the following segments:

Real estate development and project management:	Development of residential and commercial properties, as well as provision of construction project management services
Specialised construction:	Design, installation and selling of curtain walls and aluminium windows, doors and fire-proof materials
Property leasing:	Leasing of premises to generate rental income and to gain from the appreciation in the properties' values in the long term
Manufacturing and trading:	Manufacturing and trading of lubricant oil and chemical products
Securities investment and trading:	Trading and investment of securities

Revenue during the year comprised the following:

	2006 HK\$'000	2005 HK\$'000
Revenue from provision of construction project management services	11,283	14,995
Revenue from specialised construction contracts	206,727	144,075
Gross rental and management fee income from investment properties	14,249	12,078
Sales of lubricant oil and chemical products	64,931	59,781
Sales of securities investments	5,895	–
Dividend income from securities investments	–	393
	303,085	231,322

Segment revenue and result

	Real estate development and project management		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Revenue												
Sales to external customers	11,283	14,995	206,727	144,075	14,249	12,078	64,931	59,781	5,895	393	303,085	231,322
Result												
Segment result	43,828	12,629	(3,432)	8,110	63,892	24,832	4,628	2,726	2,878	616	111,794	48,913
Unallocated costs											(3,561)	(23,823)
Operating profit											108,233	25,090
Finance costs											(948)	(583)
Income tax											(1,440)	3,642
Profit for the year											105,845	28,149

Unallocated costs represent corporate expenses and losses net of corporate income and gains.

Segment assets and liabilities

	Real estate development and project management		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Assets												
Segment assets	653,950	350,839	149,018	128,687	293,017	249,954	26,505	23,855	136,191	32,127	1,258,681	785,462
Unallocated corporate assets											16,485	52,973
Total assets											1,275,166	838,435
Liabilities												
Segment liabilities	46,182	43,640	99,446	88,530	5,442	4,890	5,024	5,595	–	–	156,094	142,655
Unallocated corporate liabilities											301,243	95,746
Total liabilities											457,337	238,401

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

Other segment information

	Real estate development and project management		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Unallocated		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Capital expenditure	1,031	537	1,718	1,985	159	737	640	548	–	–	1,030	186	4,578	3,993
Depreciation recognised in the income statement	262	238	296	467	66	117	626	942	–	–	828	972	2,078	2,736
Revaluation gain on investment properties	–	–	–	–	52,670	15,196	–	–	–	–	–	–	52,670	15,196
Write-back of provision for properties under development	36,726	–	–	–	–	–	–	–	–	–	–	–	36,726	–
Impairment loss/(reversal of impairment loss) recognised in the income statement	–	–	5,267	(3,767)	(109)	–	16	433	–	–	(15,385)	(256)	(10,211)	(3,590)

Capital expenditure comprises additions to property, plant and equipment.

(b) Secondary reporting format-geographical segments

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

Hong Kong and Macau: Specialised construction, property leasing, manufacturing and trading, and securities investment and trading

The People's Republic of China (the "PRC"): Real estate development and project management, specialised construction, property leasing, and manufacturing and trading

In presenting information on the basis of geographical segments, sales are presented based on the geographical locations of the customers. Segment assets and capital expenditure are presented based on the geographical locations of the assets.

	Hong Kong and Macau		The PRC		Other countries		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
External sales	44,714	24,549	258,001	206,378	370	395	303,085	231,322
Segment assets	450,038	297,031	808,643	488,431	–	–	1,258,681	785,462
Capital expenditure	1,047	1,118	3,531	2,875	–	–	4,578	3,993

3 Other income

	2006	2005
	HKS'000	HKS'000
Interest income from bank deposits	1,562	2,358
Unrealised fair value gain on financial assets at fair value through profit or loss	–	289
Investment income (excluding dividend income)	1,562	2,647
Gain on disposal of property, plant and equipment	256	6,215
Others	1,049	1,455
	2,867	10,317

The investment income (including dividend income) from listed investments for the year ended 31 December 2006 was approximately HK\$5,895,000 (2005: HK\$682,000).

4 Operating profit

Operating profit is stated after charging/(crediting) the following:

	2006 HK\$'000	2005 HK\$'000
Gross rental and management fee income from investment properties	(14,249)	(12,078)
Less: outgoings	2,998	2,150
	<u>(11,251)</u>	<u>(9,928)</u>
Depreciation	2,235	2,929
Less: amount capitalised into properties under development	(157)	(193)
	<u>2,078</u>	<u>2,736</u>
Amortisation of land lease premium	3,611	1,822
Less: amount capitalised into properties under development	(3,611)	(1,822)
	<u>—</u>	<u>—</u>
Operating lease charges – minimum lease payment in respect of land and buildings	4,886	4,441
Less: amount capitalised into properties under development	(383)	(324)
	<u>4,503</u>	<u>4,117</u>
Cost of inventories sold	35,591	33,586
Auditors' remuneration	2,306	1,620
Net foreign exchange gain	(9,626)	(1,533)
Employee benefit expense	35,435	34,562
Provision for impairment of properties, plant and equipment	1,902	—
Write-back of receivables previously written-off (a)	(15,658)	(1,585)

(a) The amount in 2006 mainly comprised sum received from settlements of legal proceedings out of court and interim dividends received from the liquidation of Condo Engineering (China) Limited, a former non wholly-owned subsidiary of the Company.

5 Income tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005:17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006 HK\$'000	2005 HK\$'000
Current tax – Hong Kong		
Over-provision in respect of prior years	(76)	(3,675)
Current tax – Overseas		
Provision for the year	1,621	653
Over-provision in respect of prior years	—	(620)
	<u>1,621</u>	<u>33</u>
Deferred tax		
Reversal of temporary differences	(105)	—
Income tax charge/(credit)	<u>1,440</u>	<u>(3,642)</u>

6 Earnings per share

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company of approximately HK\$105,845,000 (2005: HK\$28,149,000) by the weighted average number of 772,181,783 ordinary shares (2005: 772,181,783 ordinary shares) in issue during the year.

There were no dilutive potential shares in existence during the year.

7 Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005: Nil).

8 Trade and other receivables

	2006 HK\$'000	2005 HK\$'000
Trade and contract receivables, net (a)	105,244	83,170
Retention receivables	12,724	7,039
Deposits	31,211	52,242
Prepayments	818	876
Others	7,366	18,655
	<u>157,363</u>	<u>161,982</u>

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

	2006 HK\$'000	2005 HK\$'000
0-30 days	38,146	40,924
31-60 days	12,978	16,710
61-90 days	8,075	6,898
Over 90 days	63,854	34,027
	<u>123,053</u>	<u>98,559</u>
Less: provision for impairment of receivables	(17,809)	(15,389)
	<u>105,244</u>	<u>83,170</u>

For trade receivables, the normal credit period granted by the Group to the customers is from 30 days to 60 days from the date of invoice. The credit period for contract receivables varies in accordance with the terms of contracts.

9 Trade and other payables

	2006 HK\$'000	2005 HK\$'000
Trade, bills and contract payables (a)	107,176	99,794
Retention payables	21,176	10,453
Accruals and other payables	29,632	38,459
Rental deposits received	2,917	1,195
Other deposits received	7,422	7,699
	<u>168,323</u>	<u>157,600</u>

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

	2006 HK\$'000	2005 HK\$'000
0-30 days	23,499	25,617
31-60 days	6,773	10,161
61-90 days	4,914	3,821
Over 90 days	71,990	60,195
	<u>107,176</u>	<u>99,794</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Consolidated revenue of the Group for the financial year ended 31 December 2006 increased by 31.0% to reach HK\$303.1 million (2005: HK\$231.3 million), primarily due to the continued business growth momentum of specialised construction business.

Including the revaluation gain on investment properties and write-back of provision for properties under development, the consolidated after-tax profit attributable to equity holders of the Company was HK\$105.8 million in 2006 (2005: HK\$28.1 million), up 276.0% from the previous year. Earnings per share rose from 3.65 HK cents in 2005 to 13.71 HK cents in 2006.

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

Total revenue by business segments

	Year ended 31 December				Year-on-year change
	2006 HK\$'000	%	2005 HK\$'000	%	%
Real estate development and project management	11,283	3.7	14,995	6.5	-24.8
Specialised construction	206,727	68.2	144,075	62.3	+43.5
Property leasing	14,249	4.7	12,078	5.2	+18.0
Manufacturing and trading	64,931	21.4	59,781	25.8	+8.6
Securities investment and trading	5,895	2.0	393	0.2	+1,400.0
Total revenue	<u>303,085</u>	<u>100.0</u>	<u>231,322</u>	<u>100.0</u>	

OPERATIONAL REVIEW

Real Estate Development and Project Management Business

This business segment includes two real estate development projects in the PRC namely, The Grand Panorama Project (formerly known as Haitian Garden Project) in Zhuhai and the Laguna Bay Project in Nanjing, and the provision of project management services with respect to the construction works of Guangzhou Tian He Jin Hai Building ("Jin Hai Building") in Guangzhou, the PRC.

During the year under review, The Grand Panorama Project was under construction and the Laguna Bay Project was primarily in the design and planning stage. As a result, the revenue recorded under this segment was entirely attributable to project management activities relating to the construction of Jin Hai Building. In 2006, the Group's service contract with respect to the provision of construction project management services for Jin Hai Building was in its final stage and hence the service fees income recognised by the Group in 2006 were comparatively lower than that in the preceding year as the fee structure was more heavily weighted towards the early stages of the contract period.

In 2006, revenue from this segment was HK\$11.3 million (2005: HK\$15.0 million), a decrease of 24.8% year-on-year. Segment profit increased from HK\$12.6 million in 2005 to HK\$43.8 million in 2006, representing an increase of 247.6%. Excluding the write-back of provision for properties under development, segment profit during the year under review was HK\$7.5 million, representing a decrease of 40.5% compared with HK\$12.6 million in 2005.

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

The Grand Panorama Project obtained the permit for superstructure construction in May 2006. At the end of 2006, construction works for this project had progressed to an extent enabling the application of the relevant pre-sale permit to be submitted. In January 2007, the permit was obtained and the pre-sale of the residential units of the project commenced. All units in The Grand Panorama Project are over 90 square metres in size and targeted at high-income investors or owner-occupiers from Hong Kong, Macau and the PRC, in particular from the Pearl River Delta. So far, response to the pre-sale of the project has been satisfactory. Sale of the units in the project is expected to substantially complete in 2007 and handover of the units to our customers is scheduled in July 2008.

Pre-sale of The Grand Panorama Project has marked the success of our management's continued dedication and efforts in revitalising the project in the past few years. As a result of the satisfactory progress in the project, together with improved realisable value of the project, we have in 2006 made a full write-back of the provision in the Group's financial statements of HK\$36.3 million that was made in 2003 and 2004.

Laguna Bay Project, Nanjing, the PRC

Based on the Group's analysis of market conditions and resources allocation plan, the Laguna Bay Project will be developed under three phases, with a substantial portion of the sale proceeds from the earlier phases to be utilised towards the development of subsequent phase(s). The project is positioned for the middle to high-end residential property market in the Nanjing area. During the year under review, the relevant land use right certificates were granted and the design and planning proposal of the project was being reviewed by the Jiangning District local authority. In December 2006, the project's design and planning proposal had been submitted to the Urban Planning Bureau and the design and planning permit had been granted in February 2007. Works on phase 1 of the project started in January 2007 in terms of detailed site investigation works.

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

	Approximate gross floor area (square metres)	Expected pre-sale commencement date	Expected construction completion date
Phase 1	68,300	4Q 2007	4Q 2008
Phase 2	150,300	4Q 2008	4Q 2009
Phase 3	59,100	4Q 2009	4Q 2010
Total	<u>277,700</u>		

Note: Gross floor area excludes primary school gross floor area.

Since the administrative status of Jiangning was upgraded from a county to a district in 2000, economic activity in the area had continued to expand at a brisk rate, especially with timely improvements in transport links both within the area and externally. In mid-2006, the Jiangning metro subway system was extended to the Science Park area, close to the location of our Laguna Bay Project. In addition, the Ninghang Expressway, with a toll station in Jiangning District, will be fully in operation in 2007. Given these favourable developments in the infrastructures and the economic activity of the Jiangning District, the Group is confident about the potential of the Laguna Bay Project and its contributions to the Group's revenue and cash flow for several years from 2008 onwards.

Construction Project Management Service

Although construction of the Jin Hai Building project was substantially completed in June 2006, the final account of the construction works could not be completed on schedule primarily due to contractual dispute between the developer and the contractor. The Group will negotiate with the developer to determine a new target completion date for finalisation of the accounts. The Group has recognised RMB36.6 million of project management fee up to 2006.

Specialised Construction Business

In 2006, the Group operated this business through Shanghai Jin Qiao Condo Decoration Engineering Co., Ltd. ("SJQ") which is engaged in the design and installation of curtain walls in the PRC and Enful Holdings Limited and its subsidiaries ("Enful") which is engaged in the manufacture and installation of fire-rated timber doors and fire-proofing plaster projects in the PRC and Hong Kong.

In 2006, specialised construction business reported revenue of HK\$206.7 million (2005: HK\$144.1 million), representing an increase of 43.5% over the previous year. Segment loss was HK\$3.4 million in 2006, compared with a segment profit of HK\$8.1 million in 2005. The loss was mainly a result of the less than satisfactory performance of Enful's business.

Curtain Wall Business

SJQ recorded revenue of HK\$191.4 million in 2006 (2005: HK\$140.1 million), representing a 36.6% increase over 2005. Benefiting from strong economic growth in the PRC and brand recognition, SJQ continued to enjoy improved business growth in 2006. Based in Shanghai, SJQ has extensive operations in 15 provinces and cities in the PRC. Through its experience and track record in the curtain wall industry in the PRC and by leveraging on the advantage of being a subsidiary of China Minmetals Corporation, SJQ has built its brand recognition and credibility effectively amongst existing and potential clients. The value of outstanding contracts on hand amounted to approximately HK\$300 million at the end of 2006 (2005: HK\$122 million). In recognising the quality and high standard of work performed by SJQ, the Ministry of Construction and Shanghai Construction Trade Association had respectively granted two prestigious awards namely, China Construction Luban Prize (中國建築工程魯班獎) and Shanghai White Orchid Award (上海市建設工程“白玉蘭”獎) for two curtain wall construction projects completed by SJQ in 2006.

By the 21st century, the PRC has become the largest producer and consumer of curtain wall in the world. In the next several years, the size of the curtain wall market in the PRC is expected to maintain at about 120 million square metres per year in terms of new installations and modification. Given prevailing market dynamics, SJQ seeks to enlarge operation scale and modify production facilities in response to market demand via feasible measures including merger and acquisition.

Fire-proofing Door and Plaster Business

During the year under review, the revenue of Enful was HK\$15.3 million (2005: HK\$4.0 million), of which HK\$13.8 million (90.2% of revenue) was derived from the Hong Kong market, with the remaining HK\$1.5 million (9.8% of revenue) from the PRC market. Enful's business volume, especially in the PRC, was not able to cover its fixed operating costs in 2006. Despite the efforts of the Group to revive Enful's business in the past through various measures, the improvement had not been satisfactory. The management had taken actions to minimise further financial losses to the Group.

Property Leasing Business

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

In 2006, revenue of the property leasing business increased by 18.0% to HK\$14.3 million (2005: HK\$12.1 million). Segment profit amounted to HK\$63.9 million, up 157.7% on the previous year of HK\$24.8 million. After excluding the gain of HK\$52.7 million on revaluation of investment properties in 2006 (2005: HK\$15.2 million), segment profit was 16.7% higher than the preceding year.

Manufacturing and Trading Business

The Group's manufacturing and trading business consists of the manufacture and distribution of industrial lubricant oil products operated by Jaeger Oil & Chemical Holdings Limited and its subsidiaries ("Jaeger").

This segment recorded revenue of HK\$64.9 million in 2006 (2005: HK\$59.8 million), up 8.6% on the previous year. In 2006, 82.9% of Jaeger's revenue was derived from the PRC while the remaining revenue was derived mainly from Hong Kong. Segment profit was HK\$4.6 million (2005: HK\$2.7 million), representing an increase of 70.4% year-on-year.

During the year under review, Jaeger managed to adjust upward its average product prices by as much as 20%. As such, Jaeger was able to pass along higher costs of raw materials and transportation to its customers and maintained a slight improvement in gross margins compared with the preceding year. On the back of firming price trends, we have seen some of our customers switching to lower quality local brands in the PRC.

Since Jaeger is to a large extent exposed to movements in market prices of lubricant products, its management has been focusing on strategies that would enable it to improve its product mix towards higher value products and control costs so as to stabilise margins. Jaeger will continue to develop new customers from heavy industries in the PRC including die-casting, steel-making and car-making, and explore new markets particularly in the south-western part of the PRC.

Securities Investment and Trading Business

In 2006, revenue of this segment was HK\$5.9 million (2005: HK\$ 0.3 million) and segment profit was HK\$2.9 million (2005: HK\$0.6 million) which were mainly derived from the disposal of financial assets listed in Hong Kong. Immediately following the disposal of a securities investment in January 2007 for net proceeds of HK\$157.8 million, the Group did not hold any securities for investment and trading.

OUTLOOK

The 2007 financial year has started well with satisfactory pre-sale results from The Grand Panorama Project. Furthermore, net proceeds of HK\$157.8 million from the disposal of an investment in January 2007 have further strengthened the working capital position of the Group. Going forward, we will closely monitor the impact of the implementation of the land appreciation tax on the property market in the PRC and any further measures that might be implemented by the Central Government to help cool down economic growth. Also, we note that construction costs in the PRC are on a rising trend which may reduce margins of our real estate development business. Notwithstanding these short-term developments, we remain confident in the PRC's long-term economic growth and hence the growth potential of its real estate development market, as well as our ability to continue to acquire suitable and good quality real estate development projects in our target markets.

Moving ahead, we will continue to make every effort to offer our customers the best products and services, enhance the Group's competitive advantages and earnings capability, and bring satisfactory returns to our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group derived its funds mainly from cashflows generated from business operations as well as borrowings from banks and a fellow subsidiary. During the year ended 31 December 2006, the Group secured a new bank borrowing of RMB100 million to finance the construction of the superstructure of The Grand Panorama Project.

At 31 December 2006, cash and bank deposits (excluding pledged deposits) of the Group amounted to HK\$116.1 million (2005: HK\$143.3 million), of which 93.0%, 6.5% and 0.5% (2005: 50.9%, 18.1% and 31.0%) were denominated in RMB, HK\$ and US\$ respectively.

To finance the Group's real estate development projects, the consolidated borrowings, comprising borrowings from banks and a fellow subsidiary, increased to HK\$271.5 million as at 31 December 2006 (2005: HK\$63.1 million). Gearing ratio (total borrowings over total equity) of the Group rose from 10.5% as at 31 December 2005 to 33.2%.

At 31 December 2006, borrowings denominated in RMB amounted to RMB197.5 million (2005: RMB64.5 million), while the remaining balances of HK\$74.7 million (2005: HK\$1.1 million) were bank borrowings denominated in HK\$. Among the borrowings, HK\$171.8 million were payable within one year and HK\$99.7 million was a term bank loan of a tenure of two years. All of the Group's borrowings were on a floating interest rate basis. Finance costs charged to the income statement for the year ended 31 December 2006 amounted to HK\$0.9 million (2005: HK\$0.6 million) after capitalisation of HK\$9.5 million (2005: HK\$6.3 million) into the costs of properties under development. The unutilised banking facilities of the Group amounted to HK\$103.2 million as at 31 December 2006 (2005: HK\$176.0 million).

Capital commitments of the Group as at 31 December 2006 amounted to HK\$160.5 million (2005: HK\$275.9 million). These commitments related to properties under development and are to be financed by internal funds and borrowings.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Most of the transactions of the Group were denominated in HK\$, RMB and US\$, and accordingly, the Group has RMB exposure in large while the currency risk exposure to US\$ was considered to be minimal. Given that the expected appreciation of RMB would have positive impact on the Group's assets in the PRC and income generated from the PRC, the Group had not implemented hedging or other alternative measures during the year ended 31 December 2006. During the year under review, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

CHARGES ON GROUP ASSETS

At 31 December 2006, the Group pledged leasehold land and buildings and investment properties with carrying amounts of HK\$6.7 million (2005: HK\$8.8 million) and HK\$290.8 million (2005: HK\$236.3 million) respectively, properties under development of HK\$308.8 million (2005: Nil) and fixed bank deposits of HK\$37.0 million (2005: HK\$5.0 million) as securities for the Group's banking facilities.

CONTINGENT LIABILITIES

At 31 December 2006, the Company had executed corporate guarantees amounting to approximately HK\$196.0 million (2005: HK\$194.4 million) to various banks in respect of banking facilities extended to subsidiaries, of which provision of approximately HK\$7.4 million (2005: HK\$18.2 million) was made. At 31 December 2006, the utilised facilities, under which corporate guarantees from the Company were given, amounted to approximately HK\$92.8 million (2005: HK\$18.5 million).

EMPLOYEES

At 31 December 2006, the Group employed 466 staff, including the Directors (2005: 438 staff). The total remuneration and benefits of the Directors and staff of the Group during the year ended 31 December 2006 were HK\$35.4 million (2005: HK\$34.6 million). The Group adopts a remuneration policy in line with market practice.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted on 29 May 2003 and will remain in force for 10 years from that date. The purpose of adopting the Share Option Scheme is to recognise and acknowledge the contributions that the eligible person (as defined in the Share Option Scheme) had made or may from time to time make to the Group, whether in the past or in the future. Details of the Share Option Scheme will be set out in the 2006 annual report of the Company.

As at 31 December 2006, there were outstanding share options granted under the Share Option Scheme to subscribe for an aggregate of 14,800,000 shares (2005: 20,100,000 shares) of the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

An annual general meeting of the shareholders of the Company ("Shareholders") is convened to be held on Friday, 18 May 2007 (the "AGM"). Accordingly, the register of members of the Company will be closed from Tuesday, 15 May 2007 to Friday, 18 May 2007 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the AGM, all share certificates with completed transfer forms either overleaf or separately, 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 Monday, 14 May 2007.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

In the opinion of the Directors, throughout the year ended 31 December 2006, the Company has complied with the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviations:

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

According to the Bye-laws of the Company adopted on 26 May 2005 (the "Bye-laws"), every Director (except the Chairman and the Managing Director), including those appointed by a specific term, should be subject to retirement by rotation at the annual general meeting at least once every three years and all Directors, whether appointed by the Board or the Shareholders in general meeting, to fill a casual vacancy or as an additional Director should be subject to election by the Shareholders at the first annual general meeting after their appointment.

At the Company's annual general meeting for 2006, all Directors, except for the Chairman and the Managing Director, were subject to retirement by rotation in accordance with the Bye-laws. Pursuant to the private company act 1991 under which the Company was incorporated in Bermuda, the Chairman and the Managing Director are not subject to retirement by rotation, which deviates from code provision A.4.2. of the CG Code.

- (ii) Under code provision E.1.2 of the CG Code, the Chairman of the Board and the Chairman of the Remuneration Committee should attend and answer questions at the annual general meeting of the Company. Mr. Zhou Zhongshu, the Chairman of both the Board and the Remuneration Committee, had not attended the Company's annual general meeting for 2006 due to unexpected business commitment. Accordingly, Mr. Wang Xingdong, the Managing Director and a member of the Remuneration Committee, took the chair of the said meeting.

Code for Securities Transactions by Directors

The Company has established a set of guidelines as its own "Rules and Procedures for Directors and Relevant Employees of the Company in respect of Dealings in Securities of the Company" ("Rules for Securities Transactions") on no less exacting terms than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. A designated committee comprising two members has been established for receiving notifications from and issuing dated written acknowledgements to the Directors and the relevant employees of the Company.

Under the Rules for Securities Transactions, the Directors and the relevant employees of the Company are required to notify any one member of the said designated committee and receive a dated written acknowledgement before dealing in the securities of the Company, and in the case of a member of the said designated committee, he or she must notify another member of the designated committee and receives a dated written acknowledgement before any such dealing.

The Company has made specific enquiry of all Directors and has received a written confirmation from each Director confirming that he/she has complied with the Rules for Securities Transactions for the year ended 31 December 2006 in relation to his/her securities dealings, if any.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-executive Directors namely, Ms. Tam Wai Chu, Maria, Mr. Lam Chun, Daniel and Mr. Selwyn Mar. The Audit Committee has reviewed with the Group's auditors, PricewaterhouseCoopers ("PwC"), the audited consolidated financial statements of the Group for the year ended 31 December 2006 and has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

The figures in respect of this announcement of the Group's results for the year ended 31 December 2006 have been agreed by PwC to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this announcement.

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

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

BOARD OF DIRECTORS

As at the date of this announcement, the board of Directors comprises nine Directors, namely Mr. Zhou Zhongshu as the Chairman and a Non-executive Director, Mr. Qian Wenchao, Mr. Wang Xingdong, Mr. Yan Xichuan, Mr. Yin Liang and Ms. He Xiaoli as Executive Directors and Ms. Tam Wai Chu, Maria, Mr. Lam Chun, Daniel and Mr. Selwyn Mar as Independent Non-executive Directors.

By order of the Board
Wang Xingdong
Managing Director

Hong Kong, 12 April 2007

The Company's 2006 Annual Report containing, inter alia, the Corporate Governance Report, the Report of Directors and the Consolidated Financial Statements for the year ended 31 December 2006 will be published on the Company's website at www.onfem.com and the website of The Stock Exchange of Hong Kong Limited on or about 25 April 2007.