ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004	**Percentage**
	HK$'000	*HK$'000*	**change**
		(restated)	
Turnover	**231,322**	86,605	**+167.1%**
Profit for the year	**28,149**	85,109	**-66.9%**
Total assets	**838,435**	735,453	**+14.0%**
Total liabilities	**238,401**	174,393	**+36.7%**
Total equity	**600,034**	561,060	**+6.9%**
Earnings per share *(HK cents)*	**3.65**	11.02	**-66.9%**

FINANCIAL RESULTS

The board of directors ("**Directors**") of ONFEM Holdings Limited ("**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("**Group**") for the year ended 31 December 2005 together with the comparative figures in 2004, as follows:

Consolidated Income Statement

For the year ended 31 December 2005

	Note	**2005**	2004
		HK$'000	*HK$'000*
			(restated)
Turnover	*2*	**231,322**	86,605
Cost of sales		**(174,012)**	(42,830)
Gross profit		**57,310**	43,775
Other income	*3*	**10,317**	3,024
Selling and distribution costs		**(11,752)**	(12,370)
Administrative expenses		**(43,761)**	(31,411)
Other operating expenses		**(2,220)**	(2,930)
Revaluation gain on investment properties		**15,196**	23,633
Provision for properties under development		**–**	(25,000)
Gain on deconsolidation of subsidiaries		**–**	78,707
Write-back of provision for a bank guarantee		**–**	10,148
Operating profit	*4*	**25,090**	87,576
Finance costs		**(583)**	(1,385)
Profit before tax		**24,507**	86,191
Income tax	*5*	**3,642**	(1,082)
Profit for the year		**28,149**	85,109
Attributable to:			
Equity holders of the Company		**28,149**	85,109
Earnings per share for profit attributable to equity holders of the Company during the year *(expressed in HK cents)*			
– basic and diluted	*6*	**3.65**	11.02
Dividends	*7*	**–**	–

Consolidated Balance Sheet
As at 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**15,346**	10,173
Investment properties		**239,899**	229,890
Leasehold land and land use rights		**–**	2,839
Goodwill		**19,383**	11,491
Available-for-sale financial assets/Non-trading securities		**29,340**	28,440
Deferred tax assets		**932**	932
Retention receivables		**4,539**	879
Other assets		**349**	1,716
		309,788	286,360
Current assets			
Inventories		**214,796**	202,491
Trade and other receivables	8	**161,982**	83,490
Gross amounts due from customers for contract work		**744**	1,684
Financial assets at fair value through profit or loss/Trading securities		**2,778**	2,489
Pledged deposits		**5,000**	38,100
Cash and bank deposits		**143,347**	120,839
		528,647	449,093
Total assets		**838,435**	735,453
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**77,218**	77,218
Reserves		**522,816**	483,842
Total equity		**600,034**	561,060
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**105**	105
Other liabilities		**7,220**	6,934
		7,325	7,039
Current liabilities			
Trade and other payables	9	**157,600**	108,566
Gross amounts due to customers for contract work		**–**	810
Current tax payable		**10,382**	14,847
Short-term borrowings		**63,094**	43,131
		231,076	167,354
Total liabilities		**238,401**	174,393
Total equity and liabilities		**838,435**	735,453
Net current assets		**297,571**	281,739
Total assets less current liabilities		**607,359**	568,099

Consolidated Statement of Changes in Equity
For the year ended 31 December 2005

	2005 *HK$'000*	2004 *HK$'000*
Balance at 1 January, as previously reported as equity	**561,165**	474,707
Reclassification of minority interest as part of equity *(see Note 1)*	**–**	25,033
Deferred tax arising from the revaluation of investment properties on the adoption of HK(SIC)-Int 21 *(see Note 1)*	**(105)**	–
Balance at 1 January, as restated before opening adjustment	**561,060**	499,740
Opening adjustment on derecognition of negative goodwill on the adoption of HKFRS 3 *(see Note 1)*	**7,467**	–
Balance at 1 January, as restated	**568,527**	499,740
Revaluation surplus of available-for-sale financial assets	**900**	–
Currency translation adjustments	**2,458**	2,247
Release of reserve upon liquidation of a subsidiary	**–**	(1,003)
Acquisition of additional interest in a subsidiary	**–**	(25,033)
Net increase/(decrease) in equity before profit for the year	**3,358**	(23,789)
Profit for the year, attributable to equity holders of the Company	**28,149**	85,109
Balance at 31 December	**600,034**	561,060

Notes:

1. ***Basis of preparation***

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The 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, which are carried at fair value.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretation of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements and current year classification.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HK(SIC)-Int 27	Evaluating the Substance of Transaction Involving the Legal Form of a Lease
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

(i) The adoption of new/revised HKASs 1, 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 37, HK-Int 4, HK(SIC)-Ints 15 and 27 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest and other disclosures.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.
- HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 27, 33, 37, HK-Int 4, HK(SIC)-Ints 15 and 27 have no material effect on the Group's accounting policies.

(ii) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights under operating leases from property, plant and equipment. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. If the lease payment for a lease of land and building cannot be allocated reliably between the land and building elements, the entire lease is classified as a finance lease and the leasehold land and building is stated collectively at cost less accumulated depreciation and accumulated impairment. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

(iii) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of trading and non-trading securities into financial assets at fair value through profit or loss and available-for-sale financial assets.

(iv) The adoption of revised HKAS 40 has resulted in a change in the accounting policy whereby the changes in fair value of investment properties are recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve while decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

(v) The adoption of revised HK(SIC)-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the basis of measurement was to assume that the carrying amount of that asset was to be recovered through sale.

(vi) The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective 1 January 2005, the Group expenses the cost of share options in the income statement. There is no impact on the prior year financial statements as the Group had no unvested share options outstanding as at 1 January 2005.

(vii) The adoption of HKFRS 3 and HKAS 36 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004,

- Goodwill was amortised on a straight-line basis over a period ranging from 5 to 15 years and assessed for an indication of impairment at each balance sheet date.
- Negative goodwill was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases, it was recognised in the income statement as those expected losses were incurred.

In accordance with the provisions of HKFRS 3:

- For previously recognised goodwill, the Group ceased amortisation from 1 January 2005 and the accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is an indication of impairment.
- For previously recognised negative goodwill, the carrying amount of negative goodwill at 1 January 2005 was derecognised, with a corresponding adjustment to the opening balance of retained earnings.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;
- HKAS 40 – since the Group has adopted the fair value model and disclosed publicly the fair value of the investment properties, the Group is encouraged, but not required, to adjust the opening balance of retained earnings for the earliest period presented for which such fair value was disclosed publicly, and to restate comparative information for those periods. The Group has chosen to restate the 2004 comparatives;
- HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and
- HKFRS 3 – applied prospectively after the adoption date, with any adjustment made to the retained earnings as at 1 January 2005.

The Group has not early adopted the following new standards or interpretations of HKFRS that have been issued but have not yet been effective. The adoption of such standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosure
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKFRS 7	Financial Instruments : Disclosures
HK(IFRIC)-Int 4	Determining Whether an Arrangement Contains a Lease

2. Turnover and 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. In order to better align with the Group's business development, the grouping of different businesses under each business segment has been changed with prior year segment information reclassified for comparative purposes. As at 31 December 2005, the Group has categorised its businesses into the following segments:

Real estate development:	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.

Turnover during the year comprised the following:

	2005	2004
	HK$'000	*HK$'000*
Revenue from provision of construction project management services	**14,995**	7,609
Revenue from specialised construction contracts	**144,075**	15,447
Gross rental and management fee income from investment properties	**12,078**	10,620
Sales of lubricant oil and chemical products	**59,781**	52,480
Dividend income from securities investment	**393**	449
	231,322	86,605

Segment revenue and result

	Real estate development		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue												
Sales to external customers	**14,995**	7,609	**144,075**	15,447	**12,078**	10,620	**59,781**	52,480	**393**	449	**231,322**	86,605
Result												
Segment result	**12,629**	(13,374)	**8,110**	(7,338)	**24,832**	31,259	**2,726**	835	**616**	708	**48,913**	12,090
Gain on deconsolidation of subsidiaries											**–**	78,707
Write-back of provision for a bank guarantee											**–**	10,148
Unallocated costs											**(23,823)**	(13,369)
Operating profit											**25,090**	87,576
Finance costs											**(583)**	(1,385)
Income tax											**3,642**	(1,082)
Profit for the year											**28,149**	85,109

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

Segment assets and liabilities

	Real estate development		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets												
Segment assets	**350,839**	253,817	**128,687**	74,969	**249,954**	236,058	**23,855**	22,722	**32,127**	31,177	**785,462**	618,743
Unallocated corporate assets											**52,973**	116,710
Total assets											**838,435**	735,453
Liabilities												
Segment liabilities	**43,640**	35,724	**88,530**	49,954	**4,890**	5,017	**5,595**	5,106	**–**	–	**142,655**	95,801
Unallocated corporate liabilities											**95,746**	78,592
Total liabilities											**238,401**	174,393

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.

Other segment information

	Real estate development		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure	**537**	177	**1,985**	20	**737**	29	**548**	916	**–**	–
Depreciation	**238**	221	**467**	155	**117**	73	**942**	1,728	**–**	1
Amortisation of land lease premium	**–**	–	**–**	113	**–**	–	**–**	–	**–**	–
Revaluation gain on investment properties	**–**	–	**–**	–	**15,196**	23,633	**–**	–	**–**	–
Provision for properties under development	**–**	25,000	**–**	–	**–**	–	**–**	–	**–**	–
Impairment loss recognised in the income statement	**–**	–	**–**	88	**–**	–	**–**	1,798	**–**	–
Other non-cash expenses/(income)	**–**	–	**–**	997	**–**	567	**(590)**	386	**(289)**	(347)

Capital expenditure comprises additions to property, plant and equipment.

(b) *Secondary reporting format – geographical segments*

The Group's business segments 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 ("**PRC**"): Real estate development, 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 geographical locations of the assets.

	Hong Kong and Macau		The PRC		Other countries		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
External sales	**24,549**	16,483	**206,378**	69,765	**395**	357	**231,322**	86,605
Segment assets	**297,031**	291,152	**488,431**	327,578	**–**	13	**785,462**	618,743
Capital expenditure	**1,118**	2,645	**2,875**	961	**–**	–	**3,993**	3,606

3. *Other income*

	2005	2004
	HK$'000	*HK$'000*
Interest income from bank deposits	**2,358**	2,276
Interest income from loans to a deconsolidated subsidiary	**–**	107
Unrealised gain on financial assets at fair value through profit or loss	**289**	347
Investment income (excluding dividend income)	**2,647**	2,730
Gain on disposal of property, plant and equipment	**6,215**	294
Others	**1,455**	–
	10,317	3,024

The investment income (including dividend income) from listed and unlisted investments for the year ended 31 December 2005 were HK$682,000 (2004: HK$796,000) and HK$2,358,000 (2004: HK$2,383,000) respectively.

4. *Operating profit*

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

	2005 *HK$'000*	2004 *HK$'000*
Gross rental and management fee income from investment properties	**(12,078)**	(10,620)
Less: outgoings	**2,150**	2,185
	(9,928)	(8,435)
Depreciation	**2,929**	3,220
Less: depreciation capitalised into properties under development	**(193)**	(204)
	2,736	3,016
Amortisation of land lease premium	**1,822**	9,873
Less: amortisation capitalised into properties under development	**(1,822)**	(9,760)
	–	113
Operating lease charges – minimum lease payment in respect of land and buildings	**4,441**	3,894
Less: amount capitalised into properties under development	**(324)**	(260)
	4,117	3,634
Cost of inventories sold	**33,586**	27,245
Auditors' remuneration	**1,620**	1,660
Net foreign exchange gain	**(1,533)**	(1,129)
Impairment loss of other assets	**1,312**	–
Employee benefit expense, including Directors' emoluments	**34,562**	35,233
Other operating expenses arising from investment properties that did not generate rental income	**70**	745
Provision/(write-back of provision) for inventory obsolescence	**398**	(636)
Write-back of provision for impairment of receivables (a)	**(5,300)**	(9,295)

(a) An amount of approximately HK$1,585,000 (2004: HK$3,603,000), being the write-back of the provision for a loan to China Nonferrous Metals Group (Hong Kong) Limited ("**CNMG**"), a former intermediate holding company of the Company, is included in the write-back of provision for impairment of receivables. The said amount was received during the year from the liquidators of CNMG as interim dividends to the unsecured creditors of CNMG.

5. *Income tax*

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the year (2004: Nil). 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.

	2005 *HK$'000*	2004 *HK$'000*
Current tax – Hong Kong		
Over-provision in respect of prior years	**(3,675)**	–
Current tax – Overseas		
Provision for the year	**653**	977
Over-provision in respect of prior years	**(620)**	–
	33	977
Deferred tax		
Origination of temporary differences	**–**	105
	(3,642)	1,082

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$28,149,000 (2004: HK$85,109,000) by the weighted average number of 772,181,783 ordinary shares (2004: 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 2005 (2004: Nil).

8. *Trade and other receivables*

	2005 *HK$'000*	2004 *HK$'000*
Trade and contract receivables, net (a)	**83,170**	31,672
Retention receivables	**7,039**	15,023
Deposits	**52,242**	25,374
Prepayments	**876**	910
Others	**18,655**	10,511
	161,982	83,490

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

	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**40,924**	9,194
31 – 60 days	**16,710**	5,340
61 – 90 days	**6,898**	3,247
Over 90 days	**34,027**	33,148
	98,559	50,929
Less: provision for impairment of receivables	**(15,389)**	(19,257)
	83,170	31,672

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***

	2005	2004
	HK$'000	*HK$'000*
Trade, bills and contract payables (a)	**99,794**	75,301
Retention payables	**10,453**	6,436
Accruals and other payables	**38,459**	24,804
Temporary receipts	**7,699**	103
Rental deposits received	**1,195**	1,922
	157,600	108,566

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

	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**25,617**	14,024
31 – 60 days	**10,161**	11,504
61 – 90 days	**3,821**	1,151
Over 90 days	**60,195**	48,622
	99,794	75,301

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

In 2005, the Group posted a consolidated turnover of approximately HK$231.3 million (2004: HK$86.6 million), representing an increase of 167.1% compared with last year.

This remarkable increase in the Group's turnover during the year under review was mainly attributable to the inclusion of a full year turnover of approximately HK$140.1 million of Shanghai Jin Qiao Condo Decoration Engineering Company Limited ("**SJQ**"), which became a wholly owned subsidiary of the Group since October 2004.

The Group reported a consolidated profit for the year of approximately HK$28.1 million in 2005 (2004: HK$85.1 million), a decrease of 67.0% compared with last year. In 2004, the Group's profit included items which were of non-recurring nature, such as gain on deconsolidation of subsidiaries, provision for properties under development, and a write-back of provision for a bank guarantee. If these items were excluded for comparison purposes, the profit for 2004 would have been approximately HK$21.3 million, and the Group's performance in 2005 would have shown a growth in earnings of 31.9% over that of 2004.

Presently, the Group is principally engaged in four categories of businesses, namely, real estate development, specialised construction, property leasing and manufacturing and trading. Performance of each of these categories is discussed under the section entitled "Operational Review" below.

Operational Review

A. Real Estate Development Business

The Group's real estate development business comprises the development of residential and commercial properties and the provision of construction project management services. With dedicated resources, the Group continues to conduct research on the real estate market in China, and to explore the opportunities of investing in real estate projects. During the year under review, the Group has performed feasibility studies on a number of projects.

In 2005, turnover of this segment, which was wholly derived from provision of construction project management services, was approximately HK$15.0 million (2004: HK$7.6 million), an increase of 97.4% compared with last year, and accounted for 6.5% of the Group's consolidated turnover (2004: 8.8%). In 2004, a provision of approximately HK$25.0 million was made for reduction in value of properties under development. As such provision was not required for the year under review, the result of this segment turned from a loss of approximately HK$13.4 million in 2004 to a profit of approximately HK$12.6 million in 2005.

(i) Real Estate Development

The Group devoted much effort to the preparation work for the Haitian Garden project in Zhuhai, China ("**Haitian Garden**") during the year under review. The modified design and construction blueprints were approved by the local government in Zhuhai and the construction contract was awarded to a main contractor under more reasonable terms and conditions.

Based on the current development plan, the Group will complete a substantial portion of the superstructure of the Haitian Garden in 2006. With the overall marketing strategy of the project already formulated, the Group is well positioned to launch the pre-sale of units in the Haitian Garden once permits are obtained. The entire project is expected to be completed for occupation in 2007 and will form a foundation for the Group to build a brand for its real estate development business.

In December 2005, the Group was awarded a bid for a piece of land with an area of approximately 300,000 square metres located at the Science Park on Xue Si Lu East and Xue Qi Lu North of the Jiang Ning District in Nanjing at the price of RMB160.0 million (approximately HK$153.8 million). A joint venture company would be formed by the Group with a joint venture partner, who has extensive knowledge and experience in property development in China and particularly Nanjing, to undertake the property development on the aforesaid land. The joint venture company would be owned as to 71% by the Group and 29% by the joint venture partner. This project marks a step forward for the Group's real estate development business. By deploying more resources on research of China's real estate market and strengthening communication with local governments and relevant departments, the Group hopes to be able to invest in more real estate development projects in the near future.

(ii) *Construction Project Management Service*

During the year under review, the construction works of Guangzhou Tian He Jin Hai Building, to which the Group provides project management services, have been substantially completed. The works performed by the Group included checking of curtain walls, steel frames and elevator works, supervision of the design, works and contracts, and verification of costs. It is expected that the work under this service contract will be completed in the second half of 2006.

B. Specialised Construction Business

The Group's specialised construction business includes: design and installation of curtain wall and aluminium windows business operated by SJQ, and manufacture, installation and selling of doors and fire-proof and acoustic plaster project business operated by Enful Holdings Limited and its subsidiaries (collectively, "**Enful**").

In 2005, specialised construction business reported a turnover of approximately HK$144.1 million (2004: HK$15.4 million), an increase of 835.7% over last year, and accounted for 62.3% of the Group's consolidated turnover. In 2004, this segment accounted for 17.8% of the Group's turnover as SJQ's accounts were not consolidated until October 2004. With the inclusion of a full year result of SJQ and the gain on disposal of property, plant and equipment of approximately HK$6.2 million resulting from acquisition by the Liao Bu Town Government of the land on which Enful's production facilities were previously located, the segment results turned from a loss of approximately HK$7.3 million in 2004 to a profit of approximately HK$8.1 million in 2005.

(i) *Curtain Wall Business*

The growth in the real estate sector in China over the years has led the development of China's curtain wall industry to a considerable scale. Curtain walls are used not only in hotels and commercial buildings as in the past, but are also used in residential buildings to enhance their image and status. SJQ stands to benefit substantially from this trend.

During the year under review, SJQ experienced significant growth in business with turnover of approximately HK$140.1 million in China. The total outstanding value of SJQ's contracts on hand amounted to approximately HK$122 million as at the end of 2005.

With a renowned brand name, a considerable size of operation and experienced management, SJQ holds a significant position in Shanghai's curtain wall market. To cope with the increasingly competitive market, SJQ will strive to improve product quality by continuously focusing on contract management and exploring the possibility of adopting new techniques, materials and workmanship. These initiatives will enhance its core competencies and help to establish brand identity, which are conducive to securing more contracts with higher profit margins. Following the completion of the design project in relation to the roof of the Shanghai Science and Technology City, which was the landmark project of the Shanghai Municipal Government, SJQ completed a number of medium-scale curtain wall projects, including the German Centre in Shanghai during the year under review. SJQ also succeeded in winning a bid for the large-scale curtain wall contract of a commercial property development project located on Da Ning Lu of Zha Bei District. SJQ's business strategy is to focus primarily on the Shanghai and Beijing markets while actively exploring other markets in China and overseas.

Looking forward, the continuing growth of China's economy and the forthcoming major events such as the 2008 Olympics Games in Beijing, the 2010 World Expo in Shanghai and the Asian Games in Guangzhou will present a significant market for the curtain wall industry. In addition, curtain walls will continue to gain popularity as an important component of buildings as the construction industry develops and people's living standard continues to rise in China. On the back of such favourable environment and armed with strong competitive edge, SJQ is well positioned to look for high quality projects with better margins.

(ii) *Door and Plaster Business*

During the year under review, the turnover of Enful was approximately HK$4.0 million (2004: HK$2.9 million), comprising turnover from manufacturing, installation and selling of doors and plaster project business. Approximately 55.4% of the turnover came from Hong Kong, while China contributed the remaining 44.6%. In 2005, Enful received approximately HK$10.1 million compensation from the Liao Bu Town Government for the land requisition and thus recorded a gain on disposal of property, plant and equipment of approximately HK$6.2 million. As a result, Enful's loss reduced as compared with 2004.

In the first half of 2005, Enful underwent a series of shareholding and management restructuring and relocated its manufacturing facilities to the present location as the Liao Bu Town Government acquired the land on which the previous production factory was situated. It was unable to deploy resources for its operations until May 2005. As such, its business was affected for a considerable period of time. During the second half of 2005, Enful devoted its effort to developing new business and enhancing internal management. It managed to effectively control its operating costs and undertook more large-scale contracts. As a result of these exercises, Enful has laid a groundwork for new business, thereby establishing a solid base for business development in the coming year.

Looking forward, the door business will be the focus of Enful, supplemented by the plaster business. Furthermore, Enful will seek to capture the opportunities brought about by China's stable economic growth, the continuing improvement of Hong Kong's economic indicators, and Macau's flourishing tourism and entertainment industry.

C. Property Leasing Business

The Group's property leasing business covers mainly the leasing of units in the ONFEM Tower ("**Tower**") located in Central of Hong Kong and five other residential units in Hong Kong and Shanghai.

In 2005, the turnover of the property leasing business increased by 14.2% to approximately HK$12.1 million (2004: HK$10.6 million), accounting for 5.2% of the Group's consolidated turnover (2004: 12.2%). The segment profit amounted to approximately HK$24.8 million, a decrease of 20.8%, compared with that of approximately HK$31.3 million in 2004. After excluding the revaluation gain on investment properties of approximately HK$15.2 million (2004: HK$23.6 million), the segment profit rose approximately 24.7% compared with last year.

Benefiting from the upturn of the Hong Kong economy, the Tower recorded an average occupancy rate of 94% in 2005, against 92% last year. The Tower is currently 100% occupied.

The Group believes that Hong Kong's rental market will continue to grow steadily and expects the Tower to maintain a high occupancy rate with a slight increase in rent in 2006 and provide the Group with stable profit and cash flow. In addition, the Group plans to launch appropriate maintenance and renovation works in 2006 to enhance the quality and rental value of the Tower.

D. Manufacturing and Trading

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

Turnover from Jaeger was approximately HK$59.8 million in 2005 (2004: HK$52.5 million), an increase of 13.9% over last year, accounting for 25.9% of the Group's consolidated turnover (2004: 60.6%). Jaeger recorded a segment profit of approximately HK$2.7 million (2004: HK$0.8 million). About 82.8% and 16.5% of turnover of Jaeger came from China and Hong Kong respectively, while the rest was from the Southeast Asian markets.

Jaeger's main focus is specialised petrochemical downstream products. It manufactures primarily high-value metal working, cutting and corrosion inhibitors. In addition to expanding its sales network in the Yangtze River Delta region, Jaeger has expanded its sales network to Sichuan, China's main die-cast manufacturing base. Through implementing an array of market expansion plans, Jaeger achieved satisfactory business growth in both eastern and central China, the turnover of which increased by over 30% compared with 2004. Meanwhile, new product launch enabled Jaeger to increase its market share in southern China. Jaeger obtained purchase orders for such products from a number of large-scale Japanese enterprises, resulting in an increase in turnover from southern China compared with 2004.

On the product promotion front, Jaeger focused on promoting the full range of GWS – the US die-casting lubricant series, and employed a research specialist in metal working inhibitor from the United Kingdom ("**U.K.**") to improve the formula of U.K. Korniche's series. Furthermore, to meet the needs of its target markets and customers, Jaeger has developed a number of environmental-friendly industrial lubricant products.

Despite that the price of crude oil shows no sign of falling in the near future, Jaeger believes that with the global economy growing steadily, rise in crude oil price is unlikely to have a significant impact on Jaeger's business. Looking forward, Jaeger will deploy more resources to enrich product offerings and sales and marketing. Jaeger is considering building new manufacturing facilities in areas outside southern China, where raw materials and technical specialists are accessible. Utilising these facilities, Jaeger intends to manufacture a wide range of high value-added products with higher profit margins as its prime objective. In addition, Jaeger will continue to focus on promoting GWS and the Korniche series products and to make inroads into the high-growth industrial market by introducing new high-end quality brands. With plans to expand sales, develop new markets and introduce new products, Jaeger is cautiously optimistic about its future and will continue to bring in stable income to the Group.

Outlook

Looking forward, as the overseas listed real estate development vehicle of China Minmetals Corporation, the Group will focus on developing its real estate development business in China and at the same time actively seek high-potential projects in other industries. By so doing, the Group will be able to diversify its business and broaden its source of earnings, thus achieve the objective of "Expanding business, enhancing profits".

Starting in 2005, in order to identify appropriate real estate development projects, the Group conducted research on residential and commercial real estate market in major cities in China, primarily in the Pearl River Delta region, followed by Beijing, Shanghai, Guangzhou and Nanjing as well as the peripheral areas such as the Yangtze River Delta region.

In 2005, macroeconomic austerity measures launched by the China's Government were aimed at guiding the national real estate market onto a healthy development path. Demand for residential and commercial properties in China remains. We are confident of our development in China's real estate market.

We believe that, major events such as the 2008 Olympics Games in Beijing, the 2010 World Expo in Shanghai, and the Asian Games in Guangzhou will bring about opportunities for the Group's core businesses. Capitalising on the synergistic advantages among its subsidiaries, the Group is committed to providing customers with ever better quality products and services, and enhancing its overall performance and profitability. Furthermore, the Group will continue to strengthen its corporate governance and improve its corporate transparency so as to enhance its image.

Liquidity and Financial Resources

During the year under review, the Group derived its funds mainly from cashflows generated from operations as well as financial resources from bank borrowings and borrowing from a fellow subsidiary. During the year ended 31 December 2005, the Group successfully secured various banking facilities which amounted to approximately HK$194.7 million, including a banking facility denominated in Renminbi ("**RMB**") to the extent of RMB40.0 million.

As at 31 December 2005, cash and bank deposits (excluding pledged deposits) of the Group amounted to approximately HK$143.3 million (2004: HK$120.8 million), of which 50.9%, 18.1% and 31.0% (2004: 14.4%, 55.8% and 29.8%) were denominated in RMB, Hong Kong dollars and United States ("**US**") dollars respectively.

Short-term borrowings amounted to approximately HK$63.1 million as at 31 December 2005 (2004: HK$43.1 million). This led to a rise in the gearing ratio (total borrowings over total equity) of the Group from 7.7% at 31 December 2004 to 10.5% at 31 December

2005. All the short-term borrowings outstanding as at 31 December 2004 were fully repaid during the year, and new borrowings, comprising bank borrowings and borrowing from a fellow subsidiary, were arranged for funding the daily operations. Majority of the Group's banking facilities remained unutilised as at 31 December 2005.

As at 31 December 2005, borrowings denominated in RMB amounted to approximately RMB64.5 million (2004: RMB44.7 million), while the remaining balances were bank borrowings denominated in Hong Kong dollars. All of the Group's borrowings were payable within one year and on a floating interest rate basis. Despite the increase in borrowings as at 31 December 2005, finance costs for the year ended 31 December 2005 decreased to approximately HK$0.6 million (2004: HK$1.4 million), which was mainly due to the higher average balance of the borrowings in 2004, and majority of the borrowings in 2005 were arranged for funding the Haitian Garden, of which the relevant finance cost was fully capitalised.

Capital commitments of the Group as at 31 December 2005 amounted to approximately HK$275.9 million (2004: HK$29.5 million). These commitments mainly relate to property 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 Hong Kong dollars, RMB and US dollars. The Group had not implemented major hedging or other alternative measures during the year ended 31 December 2005 as the expected appreciation of RMB will benefit the Group as a whole and other foreign currency risk exposure was considered to be minimal. As at 31 December 2005, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Charges on Group Assets

As at 31 December 2005, the Group pledged certain investment properties and leasehold land and buildings with carrying amounts of approximately HK$236.3 million (2004: HK$215.0 million) and HK$8.8 million (2004: Nil) respectively and fixed bank deposits of approximately HK$5.0 million (2004: HK$38.1 million) as securities for the Group's general banking facilities.

Contingent Liabilities

The Company had executed:

(a) corporate guarantees to various banks in respect of banking facilities extended to subsidiaries amounting to approximately HK$194.4 million (2004: HK$21.6 million). As at 31 December 2005, the borrowings outstanding against the facilities amounted to approximately HK$18.5 million (2004: HK$1.5 million); and

(b) a letter of guarantee amounting to approximately HK$9.0 million (2004: Nil) to an employer of a specialised construction contract undertaken by a subsidiary in respect of an advanced payment made by that employer to the subsidiary on such contract.

Employees

As at 31 December 2005, the Group employed 438 staff, including the Directors (2004: 300 staff). The total remuneration and benefits of the Directors and staff of the Group during the year ended 31 December 2005 were approximately HK$34.6 million (2004: HK$35.2 million). The Group adopts a remuneration policy in line with market practice.

SHARE OPTION SCHEME

The share option scheme of the Company ("**Share Option Scheme**") was adopted pursuant to a resolution passed 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 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 2005 annual report of the Company.

As at 31 December 2005, the outstanding share options granted under the Share Option Scheme were 20,100,000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 19 May 2006 to Friday, 26 May 2006 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending the annual general meeting of the Company, 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 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 18 May 2006.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

In the opinion of the Directors, throughout the year ended 31 December 2005, the Company has complied with the Code Provisions ("**CPs**" or individually "**CP**") of the Code on Corporate Governance Practices ("**Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), except for the deviation in respect of the rotation of directors under CP A.4.2 of the Code as a result of the compliance with the legislation of the place of incorporation of the Company.

Under CP A.4.2 of the Code, all Directors appointed to fill a casual vacancy should be subject to election by the shareholders of the Company ("**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 3 years.

According to the new Bye-laws of the Company ("**New Bye-laws**") adopted on 26 May 2005, every Director (except the Chairman and the Managing Director ("**MD**")), including those appointed by a specific term, should be subject to retirement by rotation at the annual general meeting at least once every 3 years and all Directors, whether appointed by the board of Directors 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 its annual general meeting for 2005, all Directors, except for the Chairman and the MD, have been subject to retirement by rotation in accordance with the Bye-laws of the Company in force before the adoption of the New Bye-laws. Pursuant to the private company act 1991 under which the Company was incorporated in Bermuda, the Chairman and the MD are not subject to retirement by rotation, which is a deviation from CP A.4.2 of the Code.

Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("**Model Code**") prior to the establishment of a set of guidelines in March 2005 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. A designated committee ("**Designated Committee**") comprising 2 members has also 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 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 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 and the Model Code for the year ended 31 December 2005 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, Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria. The audit committee has reviewed with the Group's auditors, PricewaterhouseCoopers ("**PwC**"), the audited financial statements for the year ended 31 December 2005 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 the preliminary announcement of the Group's results for the year ended 31 December 2005 have been agreed by PwC to the amounts set out in the Group's 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 eight Directors, of which five are executive Directors, namely, Mr. Zhou Zhongshu, Mr. Wang Xingdong, Mr. Yan Xichuan, Mr. Qian Wenchao and Ms. He Xiaoli; and three are independent non-executive Directors, namely, Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria.

By order of the Board
Wang Xingdong
Managing Director

Hong Kong, 13 April 2006

The Company's 2005 Annual Report containing, inter alia, the Corporate Governance Report, the Report of Directors and the Financial Statements for the year ended 31 December 2005 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 27 April 2006.

"Please also refer to the published version of this announcement in China Daily."