ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

FINANCIAL HIGHLIGHTS	30 June 2005 *HK$'000*	30 June 2004 *HK$'000*	Percentage change
Turnover	**78,534**	34,590	**+127%**
Profit attributable to equity holders	**18,544**	60,112	**-69%**
Earnings per share *(HK cents)*	**2.40**	7.78	**-69%**

UNAUDITED INTERIM RESULTS

The board of directors ("**Directors**") of ONFEM Holdings Limited ("**Company**") herewith announces the unaudited interim results of the Company and its subsidiaries ("**Group**") for the six months ended 30 June 2005 together with the comparative figures of the corresponding period in 2004. The interim condensed consolidated financial information has not been audited, but has been reviewed by the auditors of the Company, PricewaterhouseCoopers, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

Condensed Consolidated Income Statement

For the six months ended 30 June 2005

	Note	Six months ended 30 June 2005 (Unaudited) *HK$'000*	2004 (Unaudited) (Restated) *(Note 2)* *HK$'000*
Turnover	3	**78,534**	34,590
Cost of sales		**(54,651)**	(16,266)
Gross profit		**23,883**	18,324
Other income	4	**7,592**	3,776
Selling and distribution costs		**(5,539)**	(5,757)
Administrative expenses		**(21,267)**	(20,662)
Other operating expenses		**(1,013)**	(961)
Revaluation gain on investment properties	3(a)	**14,701**	–
Gain on deconsolidation of subsidiaries		**–**	66,676
Operating profit		**18,357**	61,396
Finance costs		**(254)**	(1,198)
Profit before tax	5	**18,103**	60,198
Income tax	6	**441**	(86)
Profit for the period		**18,544**	60,112
Attributable to:			
Equity holders of the Company		**18,544**	60,112
Earnings per share for profit attributable to equity holders of the Company during the period *(expressed in HK cents)*			
– basic	7	**2.40**	7.78

Condensed Consolidated Balance Sheet

As at 30 June 2005

	Note	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Restated) *(Note 2)* *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**8,556**	10,173
Investment properties		**244,591**	229,890
Leasehold land and land use rights		**–**	2,839
Goodwill		**18,958**	11,491
Available-for-sale financial assets		**29,160**	28,440
Deferred tax assets		**932**	932
Retention receivables		**1,892**	879
Other assets		**2,784**	1,716
		306,873	286,360
Current assets			
Inventories		**205,006**	202,491
Trade and other receivables	9	**89,718**	83,490
Gross amounts due from customers for contract work		**2,665**	1,684
Financial assets at fair value through profit or loss		**2,824**	2,489
Pledged deposits		**43,100**	38,100
Cash and bank deposits		**108,505**	120,839
		451,818	449,093
Total assets		**758,691**	735,453
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**77,218**	77,218
Reserves		**510,599**	483,842
		587,817	561,060
Minority interest		**3,617**	3,617
Total equity		**591,434**	564,677
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**57**	105
Provisions for other liabilities and charges		**3,258**	3,317
		3,315	3,422
Current liabilities			
Trade and other payables	10	**114,114**	109,376
Gross amounts due to customers for contract work		**–**	810
Current tax payable		**14,047**	14,037
Short-term borrowings		**35,781**	43,131
		163,942	167,354
Total liabilities		**167,257**	170,776
Total equity and liabilities		**758,691**	735,453
Net current assets		**287,876**	281,739
Total assets less current liabilities		**594,749**	568,099

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	(Unaudited) Attributable to equity holders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Available-for-sale financial assets revaluation reserve *HK$'000*	Investment properties revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Minority interest *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2005, as previously reported as equity	77,218	409,738	600,412	769	11,520	600	646	(539,738)	–	561,165
Reclassification of minority interest as part of equity *(Note 2)*	–	–	–	–	–	–	–	–	3,617	3,617
Recognition of revaluation surplus of investment properties in the profit and loss on the adoption of HKAS 40 *(Note 2)*	–	–	–	–	–	(600)	–	600	–	–
Deferred tax arising from the revaluation of investment properties on the adoption of HK(SIC)-Int 21 *(Note 2)*	–	–	–	–	–	–	–	(105)	–	(105)
Balance at 1 January 2005, as restated before opening adjustment	77,218	409,738	600,412	769	11,520	–	646	(539,243)	3,617	564,677
Opening adjustment on derecognition of negative goodwill on the adoption of HKFRS 3 *(Note 2)*	–	–	–	–	–	–	–	7,467	–	7,467
Balance at 1 January 2005, as restated	77,218	409,738	600,412	769	11,520	–	646	(531,776)	3,617	572,144
Revaluation surplus of available-for-sale financial assets	–	–	–	–	720	–	–	–	–	720
Currency translation adjustments	–	–	–	–	–	–	26	–	–	26
Net increase in equity before profit for the period	–	–	–	–	720	–	26	–	–	746
Profit for the period	–	–	–	–	–	–	–	18,544	–	18,544
Balance at 30 June 2005	77,218	409,738	600,412	769	12,240	–	672	(513,232)	3,617	591,434

	(Unaudited) Attributable to equity holders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Available–for-sale financial assets revaluation reserve *HK$'000*	Investment properties revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Minority interest *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2004, as previously reported as equity	77,218	409,738	601,415	769	11,520	–	(1,601)	(624,352)	–	474,707
Reclassification of minority interest as part of equity *(Note 2)*	–	–	–	–	–	–	–	–	30,778	30,778
Balance at 1 January 2004, as restated	77,218	409,738	601,415	769	11,520	–	(1,601)	(624,352)	30,778	505,485
Revaluation deficit of available-for-sale financial assets	–	–	–	–	(3,240)	–	–	–	–	(3,240)
Currency translation adjustments	–	–	–	–	–	–	2,587	–	–	2,587
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(25,033)	(25,033)
Net increase/(decrease) in equity before profit for the period	–	–	–	–	(3,240)	–	2,587	–	(25,033)	(25,686)
Profit for the period	–	–	–	–	–	–	–	60,112	–	60,112
Balance at 30 June 2004	77,218	409,738	601,415	769	8,280	–	986	(564,240)	5,745	539,911

Notes to the Condensed Consolidated Financial Information

1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("**new HKFRS**") which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2. Changes in accounting policies

Effect of adopting new HKFRS

In 2005, the Group adopted the new HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements and current period 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: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
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

(i) The adoption of new/revised HKASs 1, 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 34, 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, 34, 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 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 where 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 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.

(vi) 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 ending 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.

(vii) 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 expected to be recovered through sale.

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, there is no requirement for the Group to restate the comparative information. Any adjustment should be made to the retained earnings as at 1 January 2005, including the reclassification of any amount held in revaluation surplus for investment properties;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – prospectively after the adoption date, with any adjustment made to the retained earnings as at 1 January 2005.

3. Segment information

Primary reporting format – business segments

In accordance with the Group's internal financial reporting, the Group has determined that business segments are 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 period segment information restated for comparative purposes. As at 30 June 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.
Property leasing:	Leasing of premises to generate rental income and to gain from the appreciation in the properties' values in the long term.
Specialised construction:	Design, installation and selling of curtain walls and aluminium windows, doors and fire-proof materials.
Manufacturing and trading:	Manufacturing and trading of lubricant oil and chemical products.
Securities investment and trading:	Trading and investment of securities.

(Unaudited) Six months ended 30 June

	Real estate development 2005	Real estate development 2004 (Restated)	Property leasing 2005	Property leasing 2004	Specialised construction 2005	Specialised construction 2004 (Restated)	Manufacturing and trading 2005	Manufacturing and trading 2004 (Restated)	Securities investment and trading 2005	Securities investment and trading 2004	Total 2005	Total 2004 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**6,540**	–	**5,761**	4,747	**39,883**	4,830	**25,957**	24,564	**393**	449	**78,534**	34,590
Segment results	**5,267**	(69)	**19,550**(a)	2,964	**4,475**(b)	(3,516)	**422**	(496)	**1,321**	1,530	**31,035**	413
Gain on deconsolidation of subsidiaries											**–**	66,676
Unallocated corporate expenses, net											**(12,678)**	(5,693)
Operating profit											**18,357**	61,396
Finance costs											**(254)**	(1,198)
Income tax											**441**	(86)
Profit for the period											**18,544**	60,112

(a) Included a net revaluation gain on investment properties of approximately HK$14,701,000. The Group has estimated the fair value of investment properties as at 30 June 2005 by reference to the current prices in an active market for similar properties in the same location and condition subject to similar leases and other contracts.

(b) Included a gain on disposal of property, plant and equipment of approximately HK$6,170,000 as a result of the compensation received from the local government in China for factory relocation.

4. Other income

	Six months ended 30 June 2005 (Unaudited)	2004 (Unaudited) (Restated) *(Note 2)*
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**6,093**	117
Unrealised gain on financial assets at fair value through profit or loss	**335**	1,099
Interest income	**822**	1,460
Others	**342**	1,100
	7,592	3,776

5. Profit before tax

Profit before tax is stated after charging/(crediting) the following:

	Six months ended 30 June 2005 (Unaudited)	2004 (Unaudited) (Restated) *(Note 2)*
	HK$'000	*HK$'000*
Interest on borrowings	**779**	1,995
Less: borrowing costs capitalised into properties under development	**(525)**	(797)
	254	1,198
Depreciation	**1,459**	1,615
Less: depreciation capitalised into properties under development	**(111)**	(104)
	1,348	1,511
Amortisation of land lease premium	**904**	961
Less: amortisation capitalised into properties under development	**(904)**	(911)
	–	50
Employee benefit expense, including the Directors' emoluments	**13,755**	16,881
(Write-back of provision)/provision for inventory obsolescence	**(101)**	405
Cost of inventories sold	**16,001**	14,820
Write-back of provision for bad and doubtful debts (a)	**(1,444)**	(1,709)
Exchange loss	**203**	1,013
Other operating expenses arising from investment properties that generate rental income	**1,003**	961
Other operating expenses that did not generate rental income	**10**	–

(a) An amount of approximately HK$723,000 (30 June 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 bad and doubtful debts. The said amount was received during the period from the liquidators of CNMG as an interim dividend to the unsecured creditors of CNMG.

6. Income tax

Hong Kong profits tax has been provided at the rate of 17.5% (30 June 2004:17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June 2005 (Unaudited)	2004 (Unaudited)
	HK$'000	*HK$'000*
Current tax		
– Hong Kong profits tax	**–**	–
– Overseas taxation	**–**	(86)
– Write-back of over-provision in prior years	**393**	–
Deferred tax income	**48**	–
	441	(86)

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June 2005 (Unaudited)	2004 (Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**18,544**	60,112
Weighted average number of ordinary shares in issue *('000)*	**772,182**	772,182
Basic earnings per share *(HK cents)*	**2.40**	7.78

No diluted earnings per share is presented as there were no dilutive potential shares in existence during the period.

8. Dividends

The Directors have resolved not to pay an interim dividend for the six months ended 30 June 2005 (30 June 2004: Nil).

9. Trade and other receivables

Included in trade and other receivables are trade and contract receivables of which the aging analysis is as follows:

	30 June 2005 (Unaudited)	31 December 2004
	HK$'000	*HK$'000*
0 – 30 days	**21,406**	9,194
31 – 60 days	**4,850**	5,340
61 – 90 days	**672**	3,247
Over 90 days	**29,363**	33,148
	56,291	50,929
Less: Provision for bad and doubtful debts	**(13,472)**	(19,257)
	42,819	31,672

The normal credit period granted by the Group is 30 to 60 days from the date of invoice.

A subsidiary of the Group entered into a specialised construction contract for a contract sum of approximately US$7,494,000 (equivalent to approximately HK$58,453,000) with a main contractor. The employer of the respective construction project withheld the settlement of certain payments on the basis that there was a delay in the completion of the construction project. As at 30 June 2005, the contract, retention and other receivables from the main contractor in respect of this contract amounted to approximately HK$10,751,000, HK$2,915,000 and HK$5,843,000 respectively. The Directors are of the opinion that the subsidiary has strong and valid defence against the claim of delay and there will be no material adverse effect on the financial position of the Group. Consequently, no provision has been made in respect of the aforesaid amount receivables as at 30 June 2005.

10. Trade and other payables

Included in trade and other payables are trade, bills and contract payables of which the aging analysis is as follows:

	30 June 2005 (Unaudited)	31 December 2004
	HK$'000	*HK$'000*
0 – 30 days	**17,216**	14,024
31 – 60 days	**6,968**	11,504
61 – 90 days	**1,996**	1,151
Over 90 days	**43,184**	48,622
	69,364	75,301

11. Contingent liabilities

At 30 June 2005, the Company provided corporate guarantees to various banks in respect of banking facilities extended to certain subsidiaries amounted to approximately HK$51,471,000 (31 December 2004: HK$21,600,000).

12. Capital commitments

	30 June 2005 (Unaudited)	31 December 2004
	HK$'000	*HK$'000*
Contracted but not provided for – properties under development	**30,687**	29,508

13. Events after the balance sheet date

On 16 August 2005, several wholly-owned subsidiaries of the Company accepted the offers from a bank for the grant of various general banking facilities to the extent of an aggregate amount of approximately HK$156,000,000 pursuant to the facility letters dated 28 July 2005. The facilities are secured by a corporate guarantee given by the Company and legal charges and a rental assignment on an investment property of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The unaudited consolidated turnover of the Group for the six months ended 30 June 2005 amounted to approximately HK$78.5 million (30 June 2004: HK$34.6 million), representing an increase of approximately 127% as compared to the same period of last year. The unaudited net profit was approximately HK$18.5 million (30 June 2004: HK$60.1 million).

During the period under review, the increase in the Group's consolidated turnover was mainly attributable to the achievements of its active business development in the second half of 2004. The Group completed the acquisition of Shanghai Jin Qiao Condo Decoration Engineering Company Limited ("**SJQ**") in October 2004 and its results have been included in the Group's consolidated financial statements since then.

The Group recorded a consolidated gross profit margin of approximately 30% in the first half of 2005 (30 June 2004: 53%). The decline of the gross profit margin, as compared to that of the corresponding period of last year, was mainly due to the change in the Group's business structure, as SJQ, which has a lower profit margin than the existing operation of the Group, now contributes a larger percentage of the consolidated turnover to the Group.

Despite the decline in profit for the period, the performance of the Group's operations improved as compared to that of the corresponding period of last year, as last year's results included the one-off gain of approximately HK$66.7 million resulting from deconsolidation of subsidiaries in the first half of 2004.

Operational Review

A. Real Estate Development Business

The Group is currently engaged in the real estate development business, which includes the development of residential and commercial properties as well as the provision of construction project management services.

The construction project management, a new business launched by the Group in the second half of 2004, achieved satisfactory results and provided the Group with a revenue of approximately HK$6.5 million during the period under review, which represented approximately 8% of the Group's consolidated turnover. The project management services provided to the Guangzhou Tian He Jin Hai Building by the Group will be completed in the second half of this year. The related project not only provided a considerable amount of revenue to the Group, but also laid a solid foundation for the Group to develop real estate and construction project management, thereby exploring a new business area for the Group.

As regard to the development of residential and commercial properties, the proposal for design modification of the Haitian Garden project was approved by the local government on 18 May 2005. As such, the Haitian Garden project has yet to provide any profit contribution to the Group. Nevertheless, superstructure works will be commenced soon with an attempt to obtain the permit for pre-sale in the early next year. The Haitian Garden is expected to be launched to the market in 2006.

There has been a remarkable increase in the price of the residential apartments in Zhuhai in the first half of 2005 due largely to the market's expectation on the commencement of construction of the Hong Kong-Zhuhai-Macau Bridge and the Guangzhou-Zhuhai Railway, which will greatly reduce the travelling time between Hong Kong and Zhuhai, and the western part of China respectively. Zhuhai has also benefited from its geographical and natural environment and the strong support from the local government in promoting its economic development. The Group expects that the current and continuous growth momentum of the real estate market in the Zhuhai region will be beneficial to the sales of the Haitian Garden apartments.

B. Property Leasing Business

Turnover from the property leasing business increased by approximately 23% from approximately HK$4.7 million in the first half of 2004 to approximately HK$5.8 million in the first half of 2005, which represented approximately 7% of the Group's consolidated turnover (30 June 2004: 14%). The segment profit contribution provided by the property leasing business increased from approximately HK$3.0 million in the first half of 2004 to approximately HK$19.6 million in the first half of 2005. The property leasing operation benefited mostly from the buoyant Hong Kong property market, which led to a growth in the rental income of ONFEM Tower ("**Tower**") as well as an increase of approximately HK$14.7 million in the total fair value of the investment properties as compared to that as at the end of 2004. Turnover and profit contribution from this business segment have thus increased.

The Hong Kong property market is currently on an upward trend. The average occupancy rate of the Tower for the first half of the year was approximately 90%, which was higher than 84% of the corresponding period of last year. The Group will continue to appoint a renowned company to provide property management services and formulate plans for medium to large-scale repair and maintenance, with the aim of ensuring that the facilities and services of the Tower are at a satisfactory level and to be continuously committed to enhancing tenants' satisfaction in order to increase the leasing revenue of the Tower. As such, the Group expects there will still be room to increase the rent of the Tower further, thereby maintaining the stable growth in revenue of the Tower.

C. Specialised Construction Business

The Group is currently engaged in the specialised construction business, which includes the design and installation of curtain walls, the manufacture and installation of doors and plaster projects.

In the first half of 2005, turnover from specialised construction business amounted to approximately HK$39.9 million (30 June 2004: HK$4.8 million), accounting for approximately 51% of the consolidated turnover of the Group (30 June 2004: 14%). The segment results of this business during the period under review turned around from a loss of approximately HK$3.5 million in the first half of 2004 to a profit of approximately HK$4.5 million in the first half of 2005, after taking into account the gain on disposal of property, plant and equipment of approximately HK$6.2 million as a result of the compensation received from the local government in China for factory relocation.

SJQ, which is engaged in the design and installation of curtain walls in China, played an important role in the specialised construction business of the Group and contributed approximately HK$38.6 million to the Group's turnover during the period under review.

The aggregate turnover from the manufacture and installation of doors and plaster project businesses amounted to approximately HK$1.3 million (30 June 2004: HK$1.2 million), representing an increase of approximately 8% as compared to that of the corresponding period of last year. 93% and 7% of the turnover were generated from China and Hong Kong respectively. During the period under review, Enful Holdings Limited and its subsidiaries ("**Enful**"), which are engaged in this business, utilised most of their resources on factory relocation in China and operation planning. This posed a negative impact on turnover which was insufficient to cover the fixed operating cost, and resulted in a loss of approximately HK$2.2 million (excluding the gain on disposal of property, plant and equipment for factory relocation). Nevertheless, the loss decreased as compared to that of the corresponding period of last year. It is expected that the situation will be improved in the second half of the year.

D. Manufacturing and Trading Business

Turnover of Jaeger Oil & Chemical Holdings Limited and its subsidiaries ("**Jaeger**"), which are engaged in the manufacture and distribution of industrial lubricants, increased by approximately 6% in the first half of 2005 as compared to the same period of last year, accounting for approximately 33% of the Group's consolidated turnover (30 June 2004: 71%). 90% of the turnover came from China, while the remaining 10% was generated from Hong Kong and the Southeast Asian region.

During the first half of the year, Jaeger continued with market expansion in the Yangtze River Delta, enlarged the distribution network in the eastern and central parts of China, and strove to promote new products in order to increase its market share. As a result, turnover in the first half of the year was higher than that of the corresponding period of last year. However, since the prices of crude oil and chemical raw materials continued to surge to a record high, the overall cost of lubricant products increased significantly (by approximately 20%). Increase in the overall cost of lubricant products squeezed the marginal profit of the industrial lubricant business, which in turn resulted in a decrease in the gross profit margin of approximately 3% in the first half of the year as compared to that of the corresponding period of last year. Jaeger returned to profitability from a segment loss in the first half of 2004 to a profit in the first half of 2005.

Jaeger continuously aimed to improve the product quality and reduce the costs of imported finished products. Therefore, Jaeger believes that reasonable profits will be generated in 2005.

Outlook

The Group anticipates that the business opportunities brought by the Beijing Olympic Games in 2008, the Shanghai World Expo and the Guangzhou Asian Games in 2010 will contribute to the overall economic development in China. The Group will continue to seek resources that could combine its real estate development and specialised construction operations to create synergistic benefits, thereby achieving the Group's objective of "build up the business and enhance the profit".

Liquidity and Financial Resources

As at 30 June 2005, the gearing ratio (total borrowings over total equity) of the Group reduced to 6% from 8% at 31 December 2004. Cash and bank deposits (excluding pledged deposits) of the Group as at 30 June 2005 amounted to approximately HK$108.5 million (31 December 2004: HK$120.8 million), of which 48%, 18% and 34% (31 December 2004: 56%, 14% and 30%) are denominated in Hong Kong dollars, Renminbi ("**RMB**") and United States ("**US**") dollars respectively.

The Group obtained its source of funds through various means in order to maintain a balance between cost and risk. Apart from the funds generated from normal operations, the Group also obtained financial resources from bank borrowings, which amounted to approximately HK$35.8 million (31 December 2004: HK$36.4 million) as at 30 June 2005. All of the borrowings are repayable within one year.

As at 30 June 2005, borrowings denominated in RMB were approximately RMB37.5 million (31 December 2004: RMB44.7 million) while the remaining balances were bank borrowings denominated in Hong Kong dollars. All of the Group's borrowings were on a floating interest rate basis. Finance costs for the six months ended 30 June 2005 amounted to approximately HK$0.3 million (30 June 2004: HK$1.2 million).

Capital commitments of the Group as at 30 June 2005 amounted to approximately HK$30.7 million (31 December 2004: HK$29.5 million). These commitments mainly relate to properties under development and are to be financed by bank borrowings and internal funds.

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 six months ended 30 June 2005 as the foreign currency risk exposure was considered to be minimal. As at 30 June 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 30 June 2005, the Group pledged certain investment properties with an aggregate carrying amount of approximately HK$243.2 million (31 December 2004: HK$215.0 million), a leasehold land and building with a carrying amount of approximately HK$1.9 million (31 December 2004: Nil) and fixed bank deposits of approximately HK$43.1 million (31 December 2004: HK$38.1 million) as securities for the Group's general banking facilities.

Contingent Liabilities

Details of the contingent liabilities of the Company and the Group are set out in Note 11 to the Condensed Consolidated Financial Information.

Employees

As at 30 June 2005, the Group employed 385 staff, including the Directors (30 June 2004: 229 staff). The total remuneration and benefits of the Directors and staff of the Group during the six months ended 30 June 2005 were approximately HK$13.8 million (30 June 2004: HK$16.9 million). The Group adopts a remuneration policy in line with market practice.

INFORMATION RELATING TO SHARE OPTION SCHEME

On 29 May 2003, the Company adopted a new share option scheme ("**Scheme**") which is in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

Details of the Scheme and the outstanding share options will be set out in the 2005 Interim Report of the Company.

CORPORATE GOVERNANCE

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 the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2005, which has also been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

Code on Corporate Governance Practices

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period during the six months ended 30 June 2005, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("**CG Code**") except for the deviation in respect of the rotation of directors under code provision A.4.2 of the CG Code.

Under code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by 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 new Bye-laws of the Company ("**New Bye-laws**") adopted on 26 May 2005, 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 of Directors or the shareholders of the Company in general meeting, to fill a casual vacancy or as an additional Director should be subject to election by shareholders of the Company at the first annual general meeting after their appointment. Pursuant to the private company act 1991 under which the Company was incorporated in Bermuda, the Chairman and the Managing Director of the Company are not subject to retirement by rotation.

At its annual general meeting for 2005, the Company has deviated from code provision A.4.2 of the CG Code as all Directors, except for the Chairman and the Managing Director, 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.

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 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 Model Code in March 2005. A designated committee ("**Designated Committee**") comprising two members has also been established for receiving notification from and issuing dated written acknowledgement 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 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 throughout the six months ended 30 June 2005 if he/she carried out any securities dealings.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2005.

By order of the Board
Wang Xingdong
Managing Director

Hong Kong, 16 September 2005
website: http://www.onfem.com

As at the date of this announcement, the board of Directors comprises eight Directors, of which five are Executive Directors, namely, Mr. Lin Xizhong, 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.