



**Mr. Zhou Zhongshu**  
Chairman

### OVERVIEW

I am pleased to announce that ONFEM Holdings Limited ("**Company**") and its subsidiaries (collectively, "**Group**") recorded net profit for a consecutive year in 2005. Consolidated turnover was approximately HK\$231.3 million in 2005, representing an increase of 167.1% compared with approximately HK\$86.6 million in 2004. The specialised construction business contributed significantly to the Group's turnover due to the inclusion of the full-year results of Shanghai Jin Qiao Condo Decoration Engineering Company Limited ("**SJQ**"), which was acquired by and became a wholly owned subsidiary of the Company in October 2004, in the financial statements of the Group in 2005. In 2004, the financial statements included only the results of SJQ for the three months to 31 December 2004.

The Group as a whole achieved satisfactory results in the year under review. Consolidated profit for the year was approximately HK\$28.1 million, a decrease of 67.0% compared with approximately HK\$85.1 million in 2004. This substantial drop in profit was due to the fact that the financial statements of 2004 included items, such as gain on deconsolidation of subsidiaries, provision for properties under development and the write-back of provision for a bank guarantee totaling to approximately HK\$63.8 million, which were not recurrent in 2005. If these items were excluded for comparison purposes, the Group's profit in 2004 would have been approximately HK\$21.3 million and the profit for the year under review would have increased by 31.9%. Basic earnings per share for the year under review was approximately 3.65 HK cents (2004: 11.02 HK cents).

### REVIEW

"Based in Hong Kong with focus on China" is the direction underlining the Group's strategic development. With Hong Kong as its springboard to the world – the platform for access to international financing and a bridge for transnational operations, China as production base, and all-round support of its ultimate controlling shareholder China Minmetals Corporation ("**China Minmetals**"), the Group focuses on real estate development as its core business, which is supported by specialised construction, property leasing, and manufacturing and trading businesses. On a solid financial position and with experiences accumulated over the years, the Group has been actively developing its real estate development business while seeking opportunities that would open for it a better future.

During the year under review, the Group conducted a vast number of studies on potential real estate development projects in China and 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). The Group would form a joint venture company 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 a joint venture partner who has extensive knowledge and experience in property development in China and particularly Nanjing. This project is expected to become another milestone for the Group to explore the real estate market in China.

Regarding the Haitian Garden project in Zhuhai ("**Haitian Garden**"), the Group had completed the preparation work which included modification of the design, re-tendering of contracts and formulation of marketing strategies. The construction work has commenced. Pre-sale permits of the project are expected to be granted in 2006, and all units will be ready for occupation in 2007. Based on current market condition in Zhuhai, we believe the Haitian Garden will bring in revenue to the Group.

**REVIEW** (cont'd)

The provision of construction project management services in respect of the Guangzhou Tian He Jin Hai Building progressed well. This large-scale construction management services project contributed satisfactory revenue to the Group, and provided the Group with an opportunity to build a respectable construction project management team, which enables the Group to undertake more real estate development projects in the future.

The Group acquired 100% of the equity in SJQ in October 2004. SJQ is engaged in curtain wall business and has become a major contributor in both turnover and profit to the Group in 2005. Following the completion of the design project in relation to the roof of the Shanghai Science and Technology City, which was a landmark project of the Shanghai Municipal Government, SJQ succeeded in winning a bid for the large-scale curtain wall project in relation to a commercial property development project located on Da Ning Lu of Zha Bei District, Shanghai, thus allowing SJQ to establish respectable market image and brandname. SJQ posted a notable growth in turnover during the year under review and has a considerable market share in Shanghai's curtain wall industry, laying a strong foundation for future growth. Following the relocation of the manufacturing facilities in the first half of the year under review, Enful Holdings Limited and its subsidiaries (collectively, "**Enful**") focused their resources on business development in the second half of 2005 and gained a number of sizeable door fabrication and installation projects. The Group expects the business of Enful to further improve in 2006.

The Group's property leasing business continued to show satisfactory performance. Bolstered by the upturn in the property market and the improving economy in Hong Kong, ONFEM Tower in Central currently achieves 100% occupancy. As the Hong Kong economy continues to improve, the local property leasing market is likely to remain buoyant. Braced by such a favourable market environment and its central location, ONFEM Tower is expected to see steady growth in rental income, thus continuing to provide the Group with stable income.

As for the manufacturing and trading business, through market penetration, product development and improvement, Jaeger Oil & Chemical Holdings Limited and its subsidiaries (collectively, "**Jaeger**") recorded growth in both turnover and market share in different markets. Furthermore, Jaeger was able to provide products that met the quality and environmental requirements of the market, thereby maintaining its competitiveness.

**OUTLOOK**

Looking forward, as the overseas listed real estate development vehicle of China Minmetals, 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.



**OUTLOOK** *(cont'd)*

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.

In conclusion, I would like to express my gratitude to all our directors, the management team and our staff for their contribution in the past year. On behalf of the board of directors, I would also like to take this opportunity to thank our customers, business partners and shareholders for their continuous support. We will make every effort to offer customers the best products and services, and enhance the Group's competitive advantages and earning capability to bring satisfactory rewards to our shareholders.

By Order of the Board

**Zhou Zhongshu**

*Chairman*

Hong Kong, 13 April 2006