

The board of directors ("**Directors**") of ONFEM Holdings Limited ("**Company**", together with its subsidiaries "**Group**") would like to submit the annual report together with the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in Note 17 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 40.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2005 (2004: Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year are set out in Note 14 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 24 to the financial statements.

RESERVES

Movements in reserves of the Group and of the Company during the year are set out in Note 25 to the financial statements.

PROPERTIES

Particulars of the Group's major properties held for investment and for development purposes are set out on page 103.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 104.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Zhou Zhongshu (*appointed on 28 February 2006*)

Lin Xizhong (*resigned on 28 February 2006*)

Wang Xingdong

Yan Xichuan

Qian Wenchao

He Xiaoli

Independent Non-executive Directors

Lam Chun, Daniel

Selwyn Mar

Tam Wai Chu, Maria

Mr. Qian Wenchao, Ms. He Xiaoli, Mr. Selwyn Mar ("**Mr. Mar**") and Ms. Tam Wai Chu, Maria ("**Ms. Tam**") retire from office in accordance with Article 111(A) of the Company's Bye-Laws and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company and any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

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

As at 31 December 2005, the interests and short positions of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, as recorded in the register kept by the Company pursuant to section 352 of the SFO, were as follows:

Long Position in Shares of the Company

(a) Shares

Name of Director	Nature of interest	Number of ordinary shares held
He Xiaoli	Personal	20,000

(b) Share options

As at 31 December 2005, the following outstanding share options were granted to the Directors on 15 March 2004 under the share option scheme adopted by the Company on 29 May 2003:

Name of Director	Date of acceptance of share options	Exercise period of share options	Exercise price of share options HK\$	Number of share options outstanding as at 31 December 2005
Lin Xizhong	16 March 2004	16 March 2004 to 15 March 2007	0.83	4,000,000 #
Wang Xingdong	16 March 2004	16 March 2004 to 15 March 2007	0.83	3,000,000
Yan Xichuan	16 March 2004	16 March 2004 to 15 March 2007	0.83	2,000,000
Qian Wenchao	16 March 2004	16 March 2004 to 15 March 2007	0.83	1,500,000
He Xiaoli	16 March 2004	16 March 2004 to 15 March 2007	0.83	1,500,000

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)

Save as disclosed above, as at 31 December 2005, none of the Directors or the chief executive of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules")) had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO).

During the year ended 31 December 2005, save as disclosed above, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age, was granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SFO).

The share options granted to Mr. Lin Xizhong will lapse after 3 months from the effective date of his resignation.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save as disclosed in the section entitled "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and the section entitled "Information Relating to Share Option Scheme" below, the Company had no other outstanding options, convertible securities, warrants or other similar rights as at 31 December 2005.

There was no repurchase or exercise of options and convertible securities during the year.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2005, according to the register of interests kept by the Company under section 336 of the SFO, the following entities have interests and short positions in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long Position in Shares of the Company

Name of shareholder	Number of ordinary shares held	Percentage of total issued shares
China Minmetals Corporation (" China Minmetals ") (Note)	416,585,852	53.95%
China Minmetals H.K. (Holdings) Limited (" Minmetals HK ") (Note)	416,585,852	53.95%
June Glory International Limited (" June Glory ")	416,585,852	53.95%

Note:

By virtue of the SFO, these companies are deemed to be interested in the 416,585,852 shares held by June Glory.

CONTRACTS OF SIGNIFICANCE

The following contracts of significance were entered into or subsisted between the Company or its subsidiaries and the Company's controlling shareholder or its subsidiaries during the year ended 31 December 2005:

1. Wilson Murray Far East Limited ("**WMFE**"), a wholly owned subsidiary of the Company, and Guangzhou Tian He Orienmet Property Co., Ltd. ("**GTH**"), an associate of Minmetals HK (which is the intermediate controlling shareholder of the Company), entered into a construction project management agreement dated 29 July 2004 ("**PM Agreement**"), of which details are set out below:

Parties: WMFE as the project manager: and

GTH as the sole owner of a 28-storey (with two basements levels) office complex with a total gross site area of approximately 4,411 square metres and estimated gross floor area on completion of approximately 37,220 square metres located at 610 Tian He Bei Road, Guangzhou, the People's Republic of China ("**Property**")

Purpose: To provide construction project management services to the Property by WMFE pursuant to the PM Agreement

Services fees: RMB40,000,000 in aggregate comprising the Basic Fee (as defined in the Company's announcement dated 29 July 2004) and the Incentive Fee (as defined in the Company's announcement dated 29 July 2004)

2. Zhuhai (Oriental) Blue Horison Properties Company Limited ("**ZOBHP**"), a wholly owned subsidiary of the Company, and Minmetals Finance Company Limited ("**Minmetals Finance**"), an associate of Minmetals HK, entered into a RMB loan agreement dated 24 August 2005 ("**RMB Loan Agreement**"), of which details are set out below:

Amount of loan: RMB50,000,000 ("**RMB Loan**")

Term: 6 months

Interest rate: 110% of the rate for Renminbi short-term loans as quoted by The People's Bank of China from time to time

Purpose of loan: to finance the general working capital requirement of ZOBHP

3. Minmetals HK, Minmetals Finance and ZOBHP entered into a corporate guarantee dated 24 August 2005, pursuant to which Minmetals HK, as a guarantor, undertakes the repayment of the RMB Loan and the relevant interests and charges if ZOBHP does not repay the principal amount of the RMB Loan and the relevant interests and charges in accordance with the terms and conditions of the RMB Loan Agreement.

CONTRACTS OF SIGNIFICANCE (cont'd)

Save as disclosed above, no contracts of significance were entered into or subsisted between the Company or its subsidiaries and the Company's controlling shareholder or its subsidiaries during the year ended 31 December 2005.

No contract of significance to which the Company, any of its holding companies, or any of their subsidiaries was a party, in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts for management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the year is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2005	2004	2005	2004
The largest customer	18.0%	9.0%	30.9%	14.9%
Five largest customers in aggregate	43.8%	19.9%	48.3%	29.5%
The largest supplier				
Five largest suppliers in aggregate				

China Minmetals, the ultimate controlling shareholder of the Company, indirectly holds approximately 95% equity interest in GTH which is one of the five largest customers of the Group during the year.

Save as disclosed above, at no time during the year, have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interests in the above major customers and suppliers.

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 year.

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 Listing Rules.

A summary of the Scheme is set out as follows:

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|----|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Purpose of the Scheme | 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 |
| 2. | Participants of the Scheme | Any directors or any employees of any company of the Group and any advisers of, consultants of, contractors to any company of the Group or any person who has any relationship (whether business or otherwise) with any company of the Group or any person whom the Directors consider, in their sole discretion, has contributed or will contribute or can contribute to the Group |
| 3. | Maximum number of shares | The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time |
| 4. | Total number of shares available for issue upon exercise of all options under the Scheme | 77,218,178 shares unless shareholders' approval has been obtained according to the requirements of the Listing Rules, being 10% of the issued share capital of the Company at the date of approval of the Scheme by the shareholders of the Company |
| 5. | Maximum entitlement of each participant under the Scheme | No options under the Scheme may be granted to any eligible person, which, if exercised in full, would result in the total number of shares issued and to be issued upon the exercise of the options already granted or to be granted to such eligible person under the Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital as at the date of such new grant. Any grant of further options above this limit shall be subject to the requirements under the Listing Rules |
| 6. | The period within which the shares must be taken up under an option | The Directors may in their absolute discretion determine the period during which an option may be exercised and notify each grantee, save that such period shall not be later than 10 years from the date on which the Directors make an offer of the option subject to the provisions for early termination thereof |

INFORMATION RELATING TO SHARE OPTION SCHEME *(cont'd)*

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|-----|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7. | The minimum period for which an option must be held before it can be exercised | Not applicable |
| 8. | Time of acceptance and the amount payable on acceptance of the option | The offer of an option made in accordance with the Scheme may be accepted within 28 business days from the date of the offer and the amount payable on acceptance of the option is HK\$10 |
| 9. | The basis of determining the subscription price | <p>The subscription price shall be determined by the Directors at the time of grant of the relevant option and shall not be less than the highest of:</p> <ul style="list-style-type: none"> (i) the closing price per share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of the relevant option; (ii) the amount equivalent to the average closing price per share of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the relevant option; and (iii) the nominal value of a share of the Company |
| 10. | The remaining life of the Scheme | The Scheme was adopted on 29 May 2003 and will remain in force for a period of 10 years from the date of adoption |

INFORMATION RELATING TO SHARE OPTION SCHEME (cont'd)

As at 31 December 2005, details of the outstanding share options, all of which were granted on 15 March 2004 and have not been exercised, are as follows:

Category of participant	Exercise period of share options	Exercise price of share options <i>HK\$</i>	Number of share options lapsed during the year	Number of share options outstanding as at 31 December 2005
(i) Directors	16 March 2004 to 15 March 2007	0.83	–	12,000,000
(ii) Employees of the Group	17 March 2004 to 26 April 2007*	0.83	800,000	8,100,000

Details of the outstanding share options held by each Director are set out in the section entitled "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above. Save as disclosed above, no share options lapsed or were cancelled in accordance with the terms of the Scheme during the year.

* *The exercise period for the share options granted to each employee of the Group lasts 3 years commencing from the date of acceptance of the share options by each respective employee.*

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the notices submitted to the Company pursuant to the SFO, the Directors are of the view that sufficient public float exists for the issued shares of the Company as at the date of this report.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises three Independent Non-executive Directors, namely, Mr. Lam Chun, Daniel, Mr. Mar and Ms. Tam. The audit committee has reviewed with the auditors 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 the accounting practices and principles adopted by the Group.

AUDITORS

Messrs. PricewaterhouseCoopers ("**PwC**") were appointed as the auditors of the Company with effect from 11 October 2002 following the combination of practices of PwC and Arthur Andersen & Co. on 1 July 2002.

The financial statements have been audited by PwC who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

CONNECTED TRANSACTION

On 11 April 2006, Karman Industries Limited ("**KIL**"), Stillpower Limited ("**SL**"), World Ocean Development Limited ("**WODL**") and Oriental Dragon Construction Limited ("**ODCL**" or "**Joint Venture Company**") entered into a shareholders' agreement ("**Shareholders' Agreement**") in respect of ODCL. Details of the Shareholders' Agreement have been published in the Company's announcement dated 11 April 2006 ("**Announcement**").

KIL and SL (collectively, "**ONFEM SPV**") are wholly owned subsidiaries of the Company while ODCL is a wholly owned subsidiary of the Company before completion of the transfer of a 29% equity interest in ODCL from KIL to WODL ("**Share Transfer**") and will become a Joint Venture Company and be owned as to 71% by ONFEM SPV and 29% by WODL upon completion of the Share Transfer.

WODL is wholly owned by Mr. Tsui Ki Ting ("**Mr. Tsui**") and his associates while Mr. Tsui is a director of Dragon Construction (Nanjing) Properties Company Limited ("**Project Company**") which is wholly owned by ODCL and established for the purpose of undertaking the property development on a piece of land located in Nanjing, the PRC ("**Land**") acquired by ODCL in a public tender at a price of RMB160,000,000.

The Shareholders' Agreement sets out, amongst other things, the Share Transfer, how the Joint Venture Company will be managed and operated and the funding arrangements for the Joint Venture Company and the Project Company, which include the provision of the Excess Loan (as defined in the Announcement) and the Further Financing (as defined in the Announcement) (if any).

The formation of the Joint Venture Company including the provision of the Excess Loan ("**Transaction**") is a major and connected transaction of the Company, which has been approved by June Glory, the immediate controlling shareholder of the Company. A circular containing information regarding, amongst other matters, the Shareholders' Agreement, a valuation report of the Land, the advice from the Independent Board Committee (as defined in the Announcement) to the Independent Shareholders (as defined in the Announcement) and the opinion of the independent financial adviser in connection with the Transaction will be dispatched to the shareholders of the Company.

CONTINUING CONNECTED TRANSACTIONS

1. Brena Company Limited ("**Brena**") is a wholly owned subsidiary of the Company while Texion Development Limited ("**Texion**") is a wholly owned subsidiary of Minmetals HK, the intermediate controlling shareholder of the Company holding approximately 53.95% of the issued share capital of the Company. On 31 May 2004, Brena as tenant and Texion as landlord entered into a tenancy agreement ("**Tenancy Agreement**") of which details are set out below:

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

Period: 1 June 2004 to 31 May 2006

Rental: HK\$63,723.00 per calendar month (exclusive of government rates, service, management and air-conditioning charges)

Other charges: HK\$24,331.00 per calendar month (being the tenant's share of service, management and air-conditioning charges)

2. Enful Engineering Limited ("**EEL**") is a wholly owned subsidiary of the Company while Cheemimet Finance Limited ("**Cheemimet**") is a wholly owned subsidiary of Minmetals HK. On 21 June 2004, EEL as licensee and Cheemimet as licensor entered into a licence agreement ("**Licence Agreement**") of which details are set out below:

Property: certain portions of 16th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong

Period: 16 June 2004 to 31 May 2006

Licence fee: HK\$17,922.10 per calendar month (exclusive of management fee, government rates and other outgoings)

Other charges: HK\$6,843.10 per calendar month (being the licensee's share of the management fee)

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The Independent Non-executive Directors of the Company had reviewed the transactions contemplated under the Tenancy Agreement and the Licence Agreement for the year ended 31 December 2005 (collectively, "Transactions") and confirmed that the Transactions were entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms; and
- (c) in accordance with the terms of each of the Tenancy Agreement and the Licence Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PwC, the auditors of the Company, had reviewed the Transactions and reported that:

- (a) the Directors have approved the Transactions upon entering into the Tenancy Agreement and the Licence Agreement governing such Transactions;
- (b) the Transactions have been entered into in accordance with the terms of each of the Tenancy Agreement and the Licence Agreement; and
- (c) the transactions contemplated under the Tenancy Agreement have not exceeded the annual cap as disclosed in the announcement of the Company dated 31 May 2004.

CONTINUING DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 16 August 2005, ONFEM Finance Limited ("OFL"), EEL, Jaeger Oil & Chemical Company Limited ("JOC") and Virtyre Limited ("Virtyre"), all being 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 million ("Facilities") pursuant to the facility letters all dated 28 July 2005 and issued to OFL, EEL, JOC and Virtyre respectively ("Facility Letters"). The Facilities have no specific date of expiry.

As one of the conditions of the Facilities, China Minmetals shall, directly or indirectly, maintain its major shareholding (not defined in the Facility Letters) in the Company during the life of the Facilities. A breach of the above condition will constitute an event of default and as a result, the Facilities will become immediately due and repayable.

Save as disclosed above, the Company does not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

SUBSEQUENT EVENTS

Details are set out in Note 34 to the financial statements.

By Order of the Board

Zhou Zhongshu

Chairman

Hong Kong, 13 April 2006