



OVERVIEW

I am pleased to report to you that 2003 was a meaningful year for ONFEM Holdings Limited ("**Company**") and its subsidiaries ("**Group**"). The Group experienced a significant turning point and marked an important milestone during the year.

On 15 October 2003, China Minmetals H.K. (Holdings) Limited, the main operating arm of China Minmetals Corporation (formerly known as China National Metals and Minerals Import and Export Corporation) ("**China Minmetals**") in Hong Kong, through its wholly-owned subsidiary, entered into an unconditional sale and purchase agreement with China Nonferrous Metals Group (Hong Kong) Limited (in liquidation) in relation to the acquisition of a controlling stake in the Company, which was completed immediately. With more than fifty years of history, China Minmetals is a conglomerate and named as one of the State-owned pillar enterprises, which is under the direct management of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). As the Company's ultimate controlling shareholder, China Minmetals will provide the Group with strong support and clear development directions and strategies. It is believed that the acquisition of the majority shareholding of the Company by China Minmetals will therefore bode well for the future enhancement of the Group's overall operational capability and business development.

REVIEW

During the year under review, the outbreak of Severe Acute Respiratory Syndrome in the first half of 2003 had a significant adverse effect on the regional economies in Asia. At the same time, due to the restructurings undertaken by the Group's subsidiaries engaged in specialised construction contracting business,

such subsidiaries were not in a position to undertake any large-scale construction projects. The combined effects of these factors resulted in a decrease in turnover for the year under review. Nevertheless, with effective cost control measures, the Group managed to reduce its administrative and finance expenses by HK\$47.1 million, when compared with those of the previous year. In addition, the Group also recorded a gain of HK\$38.7 million from the deconsolidation of certain subsidiaries. Furthermore, as the property market stabilised, loss on revaluation of investment properties in 2003 decreased by approximately HK\$19.1 million. These favourable factors resulted in the reduction of the Group's consolidated loss by 74%, as compared with the previous year, from approximately HK\$136.9 million in 2002 to approximately HK\$35.7 million in 2003.

Since its return to profitability in year 2002, the Jaeger Group achieved another profitable year for the year under review.

At the same time, the Enful Group was able to reduce its operating loss significantly through austerity measures such as the reduction of administrative expenses and streamlining of the operating structure. In addition to these austerity measures, improvement in the collection of its accounts receivable was made. Notwithstanding these measures, further effort is required on the part of the Enful Group in order to alleviate from the difficult situation faced by it, which will also depend on the outcome of the restructuring of its operating structure.

Two subsidiaries under the Condo Group, which were engaged in specialised construction contracting business with curtain wall design and installation as their core business, were ordered to be wound up by the High Court of Hong Kong on 8 September 2003 as a result of the failure to arrive at an agreement with their respective minority shareholders. These two subsidiaries are currently put under receivership.

The Polycrown Group also introduced proactive cost control measures such as reduction in administrative expenses and operating costs. At the same time, it also stepped up the collection of its accounts receivable. The austerity measures introduced by the Polycrown Group resulted in a decline in its operating loss.

The substructure works of Haitian Garden, located in Zhuhai, China, have been completed. The superstructure works are scheduled to commence in the second half of 2004 and are expected to be substantially completed by the end of 2005.

The Group also commenced to consolidate control in, and the restructuring of, its non wholly-owned subsidiaries during the year under review. By disposing of their under-performing businesses while retaining projects and assets that will contribute to the Group's future prospects, the Group is gradually returning to a more steady development track.

OUTLOOK

Looking forward, while leveraging on Hong Kong's strengths in finance, legal system, information technology, management and human resources and China Minmetals' background, the Group is posed to better capitalise on the opportunities arising from the continuous growth in China's economy. With the support of China Minmetals, the Group will use Hong Kong as its base to vigorously expand its selected businesses into China. The Group will focus on property development as its principal business focus, supplemented by the specialised construction contracting business and with

high technology investment as an ancillary business. The Group will also seek to expand through appropriate value creation means such as direct investments and mergers or acquisitions to further enhance shareholder value. The Group aims to provide customers with quality services and products, and at the same time, to enhance its competitiveness at all levels of its operating subsidiaries with a view to returning to profitability in the near future and in turn, realising a better return for our shareholders.

The Group is committed to better improving its corporate governance, corporate transparency, to pursuing a strategy of better corporate development by attracting high-caliber professionals, and to fostering a good corporate culture so that the Group's fundamentals will be further improved.

In conclusion, I would like to express my gratitude to all of our directors, management and our staff for their contribution in the past years. On behalf of the board of directors, I would also like to take this opportunity to thank our shareholders who have given us their continuous support. We will continue to work with dedication, making every effort to further enhancing the Group's earning capability in its selected business focuses so that significant shareholder value can be realised.

By Order of the Board

Lin Xizhong

Chairman

Hong Kong, 19 April 2004