

CHAIRMAN'S STATEMENT



Mr. Lin Xizhong – Chairman

OVERVIEW

I am pleased to announce that ONFEM Holdings Limited (“**Company**”) and its subsidiaries (collectively, “**Group**”) have recorded a net profit in 2004. The favourable performance was the fruit of our management team’s continuous dedication in implementing various measures and strategies, reduction of administrative expenses, restructuring of non wholly owned subsidiaries, as well as cessation or liquidation of under-performing businesses while retaining projects and assets with potential for future development. In particular, the deconsolidation of certain subsidiaries of the Group in 2004 gave rise to an accounting gain of approximately HK\$78.7 million (2003: HK\$38.7 million) and the total administrative expenses in 2004

OVERVIEW *(cont'd)*

were reduced to approximately HK\$30.8 million (2003: HK\$78.8 million). The consolidated results of the Group have turned around from loss to a net profit of approximately HK\$84.6 million (consolidated net loss in 2003: HK\$35.7 million). Basic earnings per share was approximately 10.96 HK cents (basic loss per share in 2003: 4.63 HK cents).

REVIEW

The Group has to-date essentially completed the restructuring of its non-performing businesses. Several major subsidiaries of the Group underwent liquidation or restructuring, which reduced their negative contribution to the results of the Group and improved its financial position. All subsidiaries which are previously not wholly owned and which are to be retained for further development by the Group have now become wholly owned subsidiaries. We expect them to have significant contributions to the Group's future performance.

In 2004, specialised construction contracting business remained as the Group's major business. Despite the significant decline in turnover which was resulted from the restructuring of the shareholding structure and businesses of the respective non wholly owned subsidiaries, the segment result recorded a profit. Polycrown Engineering Limited and Polycrown Engineering (Holdings) Limited underwent liquidation during the year under review. Meanwhile, Enful Group focused its resources on internal consolidation during the year, hence significantly reduced its revenue contribution to the Group. However, due to improved management control, the overall loss of Enful Group was reduced accordingly. During the year under review, the Group acquired Shanghai Jin Qiao Condo Decoration Engineering Company Limited ("**SJQ**"). Its results were consolidated in the accounts of the Group from October 2004 onwards. The business of SJQ was not affected by the restructuring of its shareholding base, and it has made a substantial contribution to the turnover of the Group during the year under review.

In addition, the Group and an associate of China Minmetals H.K. (Holdings) Limited signed a management consultancy services agreement for the construction project of the Tian He Jin Hai Building in Guangzhou (廣州天河金海大廈). This transaction was the first cooperation between the Group and China Minmetals Corporation ("**China Minmetals**") since it became the ultimate controlling shareholder of the Group, and helps to integrate the Group's extensive experience in property development and specialised construction contracting into the diversified resources of China Minmetals. Furthermore, the cooperation enables the Group to achieve internal synergies with China Minmetals and put the property development and project management business of the Group on a sound footing. With the support of China Minmetals, the Group will continue to develop its core businesses of property development and specialised construction contracting in China.

In mid-2004, Jaeger Group successfully secured the distribution rights in China for a full range of products of one of the leading die-casting lubricant manufacturer in the United States of America. Riding on the brand, Jaeger Group has garnered more business opportunities in the automobile manufacturing and heavy industry in eastern China. Nevertheless, turnover and segment loss of manufacturing and trading business declined as a result of the restructuring of Enful Group.

As for its property development and property leasing business, Haitian Garden in Zhuhai, China was repositioned as "The New Generation Panoramic Seaview Deluxe Apartments in Zhuhai" during the year under review. Superstructure work is expected to resume in the second half of 2005 and the apartments are expected to be launched in the market by the end of 2005. As the property market in Hong Kong has rebounded since the second half of 2004, the Group made a gain from the revaluation of its investment properties during the year under review. The average leasing rate of the ONFEM Tower rose to 92%, and profits contributions are expected to gradually increase in the second half of 2005.

OUTLOOK

The Group has completed the restructuring and disposal of under-performing businesses and retained projects and assets that will contribute to future profit, thereby laying a solid foundation for steady development in the coming years. "Developing business and enhancing profits" will be the Group's key focus from now on. Leveraging on the strengths of the new controlling shareholder, China Minmetals, in China and the Group's business network and connections in Hong Kong, the Group intends to seize the enormous business opportunities in the rapidly growing China market, which is being fueled in particular by the 2008 Olympics Games in Beijing, the 2010 World Expo in Shanghai, and the Asian Games in Guangzhou. Focus will be placed on property development and the specialised construction contracting businesses. The Group will not only actively seek investment opportunities in projects in China with growth potential, but will also strive to expand through direct investments, and mergers and acquisitions in order to further enhance profitability and realise better returns to shareholders.

Furthermore, the Group is committed to realising the complementary advantages among all its subsidiaries to enhance their overall performance and profitability. The Group will also formulate strategic and development guidelines for all its subsidiaries with a view to providing higher quality products and services to customers. The Group will continue to further enhance corporate governance and transparency, devise effective corporate strategies, recruit high-caliber professionals, foster a positive corporate culture, and to build a distinguished corporate identity.

In conclusion, I would like to express my gratitude to all of 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 shareholders, business partners and customers who have given us their continuous support. We will make every effort to further enhance the Group's earning capability to maximise shareholders' return.

By Order of the Board

Lin Xizhong

Chairman

Hong Kong, 15 April 2005