東方有色集團有限公司 *

ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2004

* For identification purpose only

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CORPORATE INFORMATION

CHAIRMAN
LIN Xizhong

MANAGING DIRECTOR
WANG Xingdong

DEPUTY MANAGING DIRECTOR
YAN Xichuan

EXECUTIVE DIRECTORS
QIAN Wenchao
HE Xiaoli

INDEPENDENT NON-EXECUTIVE DIRECTORS
LAM Chun, Daniel
Selwyn MAR
TAM Wai Chu, Maria

QUALIFIED ACCOUNTANT
YUEN Wai Man

COMPANY SECRETARY
SIU Tin Ho

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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

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Wang Xingdong
Managing Director

BUSINESS OVERVIEW

In 2004, the consolidated turnover of ONFEM Holdings Limited ("**Company**") and its subsidiaries (collectively, "**Group**") amounted to approximately HK$86.6 million (2003: HK$160.9 million), representing a 46% decrease as compared with last year.

The Group recorded a consolidated net profit of approximately HK$84.6 million in 2004 (consolidated net loss in 2003: HK$35.7 million). As the percentage of the businesses with higher gross profit margin in the Group's whole business profile increased, the Group recorded a consolidated gross profit of approximately HK$43.8 million in 2004 (2003: HK$38.8 million). Its consolidated gross profit margin rose from 24% in 2003 to 51%.

During the year under review, turnover of the Group declined as several under-performing subsidiaries of the Company underwent liquidation and ownership restructuring. The consequential termination or slow down of businesses of those subsidiaries resulted in reduced turnover, but also greatly reduced their negative contribution to the result of the Group. In addition, gain on deconsolidation of subsidiaries of approximately HK$78.7 million in 2004 (2003: HK$38.7 million) was recorded. Together with the stabilisation of the Hong Kong property market which resulted in a positive profit contribution from the revaluation of its investment properties, the Group achieved a profit turn around.

The Group is principally engaged in three types of businesses, namely, specialised construction contracting, manufacturing and trading and property development and property leasing.

Front row: (from right to left) Mr. Wang Xingdong, Mr. Lin Xizhong, Mr. Yan Xichuan, Ms. Tam Wai Chu, Maria
Back row: (from right to left) Mr. Qian Wenchao, Mr. Lam Chun, Daniel, Ms. He Xiaoli, Mr. Li Tan, Mr. Selwyn Mar

OPERATIONAL REVIEW

A. Specialised Construction Contracting

Specialised construction contracting business was one of the major businesses of the Group in 2004, with turnover of approximately HK$20.4 million (2003: HK$86.1 million), representing a 76% decline as compared with last year, and accounted for 24% of the Group's consolidated turnover (2003: 53%). Nevertheless, the segment result improved from a loss of approximately HK$38.2 million in 2003 to a profit of approximately HK$0.7 million in 2004.

Decreased turnover and recorded profit of the business mainly resulted from the liquidation of the under-performing and poorly managed Polycrown Engineering (Holdings) Limited ("**PEHL**") and Polycrown Engineering Limited ("**PEL**") with the results of those companies excluded from the consolidated accounts of the Group with effect from 11 August 2004. In addition, other subsidiaries of the Group that engaged in specialised construction contracting business, namely, Condo Curtain Wall Company Limited ("**CCW**") and Condo Engineering (China) Limited ("**CEC**"), underwent liquidation in 2003, while Enful Holdings Limited ("**EHL**") and its subsidiaries (collectively, "**Enful Group**") had focused their resources on internal consolidation during the year under review, thus greatly reducing their turnover contribution to the Group. However, due to improved management control, the overall losses of Enful Group have been tapered.

OPERATIONAL REVIEW *(cont'd)*

A. Specialised Construction Contracting *(cont'd)*

(i) Condo Group Limited and its subsidiaries

CCW and CEC were ordered by the High Court of Hong Kong in September 2003 to be wound up and had since been put under receivership. The liquidation is currently in progress. The Group is actively attempting to recover the debts owed to the Group by these two companies and their minority shareholders.

The Group acquired the entire shareholding of Shanghai Jin Qiao Condo Decoration Engineering Company Limited ("**SJQ**"), which was previously owned as to 90.39% and 9.61% by the liquidator of CEC and an independent third party respectively. From October 2004, SJQ's results have been included in the Group's consolidated accounts. SJQ is mainly engaged in the design and installation of curtain walls. Its business was not affected by its ownership restructuring and has contributed to most of the turnover of this business segment.

Looking forward, as the Chinese economy continues to grow steadily, driven by the business opportunities arising from the 2008 Olympics Games in Beijing, the 2010 World Expo in Shanghai and the Asian Games in Guangzhou, SJQ will strive to further enhance its competitive advantages in order to win more construction contracts. This will, in turn, allow SJQ to provide better returns for the shareholders.

(ii) Enful Group

Enful Group underwent an ownership restructuring and a business restructuring in the first half and the second half of 2004 respectively. As a result, the turnover of Enful Group generated from specialised construction contracting business declined significantly during the year under review. Losses incurred were a result of turnover being unable to cover the fixed costs such as administrative expenses.

The Group acquired a 48% equity interest of EHL from Sinowise Development Limited in April 2004 and increased its beneficial interest in Enful Group from 52% to 100%. The acquisition had strengthened the Group's overall control over the operation of Enful Group and enabled better alignment of its strategy with those of the Group.

During the year under review, the Group also focused on improving the management control, and formulating regulations and systems of Enful Group, resulting in better cost controls so that Enful Group could operate on a more solid footing for future development.

The core business of Enful Group is manufacturing and installation of "Bridgman" timber doors. It is also an accredited agent and contractor of fireproof and acoustic soundproof plaster. Looking forward, Enful Group will focus on its door business with spray coating as its ancillary business. Seizing the business opportunities arising from the robust economic development in China, the rebounding Hong Kong economy and the flourishing gaming sector in Macau, Enful Group will expand its business aggressively, adhering to good management practices and aiming for stable growth.

OPERATIONAL REVIEW *(cont'd)*

A. Specialised Construction Contracting *(cont'd)*

*(iii) PEHL and its subsidiaries (collectively, "**Polycrown Group**")*

The pre-liquidation turnover and segment loss of Polycrown Group in 2004 was approximately HK$3.6 million (2003: HK$68.1 million) and HK$0.6 million (2003: HK$24.0 million) respectively.

The board of directors of PEL, a wholly owned subsidiary of PEHL, resolved to liquidate the company on 15 June 2004. PEHL was subsequently ordered by the High Court of Hong Kong on 11 August 2004 to be wound up as it had failed to pay the debts owed to the Group. The aforesaid events did not have a material adverse impact on the Group except that the Group had repaid a bank loan of approximately HK$28.5 million on behalf of PEL in performing its obligation as a guarantor.

The Group is committed to recovering the debts owed to the Group by the liquidated PEL and PEHL and their minority shareholders.

*(iv) Wilson Murray Far East Limited ("**WMFE**")*

In July 2004, an indirect wholly owned subsidiary of the Company, WMFE, entered into an agreement with Guangzhou Tian He Orienmet Property Company Limited, an associate of the Company's controlling shareholder, China Minmetals H.K. (Holdings) Limited, to provide construction project management services to Guangzhou Tian He Jin Hai Building ("**Jin Hai Building**") development project. During the year under review, the revenue arising from project management business was approximately HK$7.6 million with a segment profit of approximately HK$6.5 million.

WMFE commenced provision of construction project management services to the Jin Hai Building in July 2004. It succeeded in obtaining the completion acceptance document for the building's main structure as scheduled, securing extension of the construction permit, resuming construction works and completely controlling the construction progress during the year under review.

The Group expects the construction and installation works of the Jin Hai Building to be completed by the end of 2005. All project management work and finalisation of accounts of the relevant contracts are expected to be done by the middle of 2006. Since WMFE only took over the project management role of the Jin Hai Building in the middle stage of construction, it had had to cope with the legacy of its predecessor and faced difficulties in taking over the supervision of such development project. WMFE will continue to exercise stringent control to ensure that the completion of the project can be achieved on schedule.

The project management agreement is not only expected to generate good returns for the Group, but also to blaze the trail for the construction project management and consultancy business for the Group, hence broadening the Group's business scope and creating new development opportunities for its specialised construction contracting business as a whole. In the meantime, the experience and expertise gained from this project will also benefit the research and investment of the property development activities of the Group.

OPERATIONAL REVIEW *(cont'd)*

B. Manufacturing and Trading

Turnover from manufacturing and trading business amounted to approximately HK$55.1 million in 2004 (2003: HK$57.8 million), representing a decline of 5% as compared with 2003. This segment accounted for 64% of the Group's consolidated turnover in 2004 (2003: 36%) and recorded a segment loss of approximately HK$0.8 million (2003: HK$3.7 million).

(i) Enful Group

In 2004, Enful Group contributed very little to the revenue of this business segment because it has undergone restructuring of its shareholding structure and business. However, this move improved business performance in this segment. (For more details, please refer to the business of Enful Group in the above "Specialised Construction Contracting" section.)

*(ii) Jaeger Oil & Chemical Holdings Limited and its subsidiaries (collectively, "**Jaeger Group**")*

Jaeger Group is mainly engaged in the processing, manufacturing and distribution of industrial lubricants for the middle to high-end markets. In 2004, Jaeger Group successfully made its first foray into the relatively low-end market. However, with oil price fluctuations during the year under review, customers became more cautious with their spending. Fierce competition also drove down gross profit margins for the newly launched low-end products. As a result, revenue of Jaeger Group in 2004 edged up only slightly, while its segment profit decreased substantially.

In the year under review, about 89% and 10% of the turnover of Jaeger Group came from China and Hong Kong respectively, the rest was from the Southeast Asian markets. Jaeger Group strengthened its distribution network in eastern and central China and added a few big industrial buyers to its customer base in the year under review. Facing intense competition in southern China, Jaeger Group leveraged its distribution network to reach new industrial customers. It also tried to boost the sales of mid to high-end products by expanding the market share of the British "Korniche" products, of which sales of this brand rose as compared with 2003.

To enhance its competitive strengths in China's high-end market, Jaeger Group secured in mid-2004 the right to distribute in China the full range of products of one of the United States' top die-casting lubricants brand. The products have helped to further open market for Jaeger Group in the automobile manufacturing and various heavy industries in eastern China. Jaeger Group will endeavour to maximise economies of scale, further control cost and broaden its sales channel to boost market share and profitability.

C. Property Development and Property Leasing

Zhuhai Haitian Garden in China ("**Haitian Garden**") is the major property development project of the Group while the turnover of the property leasing business was mainly derived from the rental income of the ONFEM Tower in Hong Kong.

OPERATIONAL REVIEW *(cont'd)*

C. Property Development and Property Leasing *(cont'd)*

(i) Haitian Garden

The Group successfully acquired a 20% equity stake in Zhuhai (Oriental) Blue Horrison Properties Company Limited ("**ZOBHP**") from Zhuhai Shining Metals Group Inc. on 8 January 2004. The acquisition made ZOBHP a wholly owned subsidiary of the Company and enabled the Group to own 100% equity interest in the project.

During the year under review, construction work of the Haitian Garden was held up due to a litigation and the Group had made a provision for net realisable value of the project of approximately HK$25.0 million in 2004 (2003: HK$11.3 million). As a result, segment loss rose to approximately HK$19.9 million in 2004 (2003: HK$10.9 million).

The Haitian Garden was repositioned as "The New Generation Panoramic Seaview Deluxe Apartments in Zhuhai" as recommended in a consultant research report. Its basement construction works had been completed, and superstructure works are expected to resume in the second half of 2005. The project is expected to obtain a permit for pre-sale by the end of 2005.

It is expected that the completion of the Hong Kong-Zhuhai-Macau Bridge and Guangzhou-Zhuhai Railway shall make commuting between Zhuhai, Hong Kong, Macau and the western parts of China more convenient and will help derive demand for properties there especially with Zhuhai's superior natural environment and the favourable policies implemented by its local government. Given that the prices of new flats in Zhuhai had been rising in 2004, this will facilitate the sale of the Haitian Garden, which is one of a very few luxury apartment projects available in the Zhuhai property market.

(ii) ONFEM Tower and other properties for leasing

Revenue from the property leasing business slightly decreased by 2% to approximately HK$10.6 million (2003: HK$10.8 million) during the year under review, and accounted for 12% of the Group's consolidated turnover (2003: 7%). The decrease was due to the expiry and renewal of the leases for some units in mid-2004. However, improvement in operational efficiency and a gain on revaluation of investment properties of approximately HK$23.0 million in the year under review (revaluation loss in 2003: HK$8.3 million) turned the Group's property leasing business around to a segment profit of approximately HK$30.7 million in 2004 (segment loss in 2003: HK$4.7 million).

In 2004, the average occupancy rate of the ONFEM Tower reached 92% (2003: 88%). Although the local office leasing market was on an up-trend since the second half of 2004, the Group did not benefit from this change because most of the ONFEM Tower's leases were signed in the past two years, and certain leases are of the duration of three years. In 2005, some of the leases are expected to expire and the Group is optimistic that the ONFEM Tower will maintain its present occupancy rate, gradually achieving increasing rental income in the second half of 2005.

Since the Group has appointed a renowned property management company to manage, inter alia, the leasing activities of the ONFEM Tower. A good quality tenant mix with more than half of the tenants being well-known multinational companies has been achieved for the ONFEM Tower. The Group will continue to improve the building's quality and image with the aim to enhancing future income.

OPERATIONAL REVIEW *(cont'd)*

D. Other Businesses

Greater Beijing First Expressways Limited ("**First Expressways**"), a major subsidiary of Greater Beijing Region Expressways Limited, of which the Group had made an equity investment, was wound up in June 2000, and its four toll road projects in Beijing were sold. The Group will continuously monitor the progress of the liquidation process and strive for the best interest of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, the gearing ratio (total borrowings over shareholders' funds) of the Group reduced to 8% from 15% as at 31 December 2003. Cash and bank deposits (excluding pledged deposits) of the Group as at 31 December 2004 amounted to approximately HK$120.8 million (2003: HK$199.3 million), of which 56%, 14% and 30% (2003: 46%, 8% and 30%) are denominated in Hong Kong dollars, Renminbi ("**RMB**") and United States ("**US**") dollars respectively.

The Group obtained its source of fund through various means in order to maintain a balance between cost and risk. Apart from the fund generated from normal operations, the Group also obtained financial resources from bank borrowings and other borrowings, which amounted to approximately HK$36.4 million (2003: HK$66.7 million) and HK$6.7 million (2003: HK$4.6 million) respectively as at 31 December 2004. All of the borrowings are repayable within one year.

As at 31 December 2004, borrowings denominated in RMB were approximately RMB44.7 million (2003: RMB33.5 million) while the remaining balances were bank borrowings denominated in Hong Kong dollars. Except the bank borrowings denominated in Hong Kong dollars that were obtained by the Group at floating interest rates, all the Group's borrowings were on a fixed rate basis. For the year ended 31 December 2004, finance costs were reduced to approximately HK$1.4 million (2003: HK$4.9 million).

Capital commitments of the Group as at 31 December 2004 amounting to approximately HK$29.5 million (2003: HK$145.8 million), for properties under development, 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. Given that the foreign currency risk exposure is minimal during the year ended 31 December 2004, no respective hedging or other alternative measures were arranged by the Group. As at 31 December 2004, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

CHARGES ON GROUP ASSETS

As at 31 December 2004, the Group pledged an investment property with the carrying amount of approximately HK$215.0 million (2003: HK$195.0 million) and fixed bank deposits of approximately HK$38.1 million (2003: HK$53.2 million) as securities for the Group's general banking facilities. Certain inventories of the Group were also held under trust receipt loan arrangements during the year ended 31 December 2004.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company and the Group are set out in Note 31 to the accounts.

EMPLOYEES

As at 31 December 2004, the Group employed 300 staff, including directors of the Company (2003: 309). The total remunerations and benefits of the directors of the Company and staff of the Group during the year were approximately HK$35.2 million (2003: HK$43.1 million). The Group adopts a remuneration policy in line with market practice.

By Order of the Board
Wang Xingdong
Managing Director

Hong Kong, 15 April 2005

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS

Mr. LIN Xizhong, aged 60, was appointed as an Executive Director and the Chairman of ONFEM Holdings Limited ("**Company**") in November 2003. Mr. Lin is the Vice President of China Minmetals Corporation ("**China Minmetals**"), the Vice Chairman and Chief Executive Officer of China Minmetals H.K. (Holdings) Limited ("**Minmetals HK**"), the Chairman of the following subsidiaries of China Minmetals: Oriental Metals (Holdings) Company Limited ("**OMC**") in Hong Kong, Janfair Pty Limited in Australia, China Minmetals (NZ) Limited in New Zealand, AXA-Minmetals Assurance Limited in Shanghai and the Director of AXA Asia Pacific Holdings Limited.

Mr. Lin earned his Bachelor of Arts degree in Literature from the Beijing Foreign Studies University in 1973. From 1995 to 1998, he was the representative of The People's Republic of China ("**PRC**") in APEC Business Advisory Council of Asia-Pacific Economic Cooperation Organisation. He was the Vice Chairman of First Pacific Bank in Hong Kong during 1993 to 2000. Mr. Lin has over 30 years of experience in international trading, strategic investment and corporate financial management.

Mr. WANG Xingdong, aged 44, was appointed as an Executive Director and the Managing Director of the Company in March 2001, responsible for the operation of and strategic planning for the Company. He is also a Director of Minmetals HK and a Non-executive Director of China Merchants China Direct Investments Limited.

Mr. Wang graduated from the Xiamen University in 1982 with a Bachelor of Arts degree. He then continued his studies in business management between 1987 and 1989 in the Faculty of Management of Business Administration of Long Island University in New York, U.S.A..

Prior to joining the Company, he has been a member of senior management of both U.S.A. and German corporations carrying on trading business of metals and mineral products for many years. Mr. Wang has extensive experience in international metals trading, investment strategies and corporate management.

Mr. YAN Xichuan, aged 58, was appointed as an Executive Director and the Deputy Managing Director of the Company in August 2002. He is responsible for monitoring the operation and strategic planning of the subsidiary groups of the Company, which are principally engaged in specialised construction contracting business.

Mr. Yan was graduated from the Chongqing Architectural University in 1970 and is a qualified senior engineer. He joined China State Construction Engineering Corporation in 1970 and was transferred to China Overseas Holdings Limited ("**COHL**") in 1984. Mr. Yan has been the General Manager of China Overseas Civil Engineering Limited, the Assistant General Manager of the Investments Department of COHL and the President of Gold Court Property Management Limited and has been responsible for supervision of civil engineering work, real estate investment and property management etc.

Mr. Yan has been involved in various construction projects in the PRC and Hong Kong and has over 30 years of experience in construction and project management.

DIRECTORS *(cont'd)*

Mr. QIAN Wenchao, aged 40, was appointed as an Executive Director of the Company in November 2003. Mr. Qian is also a Director of Minmetals HK and an Executive Director of OMC. He earned his Bachelor of Arts degree in Economics from Beijing Technology and Business University and completed his graduate study in accounting in the same university in 1987 and 1989 respectively. He joined China Minmetals in 1989 and has worked in the Overseas Enterprises Division of China Minmetals and Minmetals HK with responsibilities in financial management. Mr. Qian has over 10 years of experience in corporate financial management.

Ms. HE Xiaoli, aged 37, was appointed as an Executive Director of the Company in February 2002. She is also the General Manager of the Finance Department of the Company. Ms. He holds a Bachelor's degree in Accounting from the North China University of Technology and a Master's degree in Business Administration from the University of South Australia, and is also a PRC Senior Accountant and a member of The Chinese Institute of Certified Public Accountants, PRC. Prior to joining the Company, she had been the Head of Business Division and the Deputy Minister of Accounting Information Division of the Finance Department of previous China National Nonferrous Metals Industry Corporation. She has extensive experience in financial management of PRC enterprises.

Mr. LAM Chun, Daniel, aged 59, was appointed as an Independent Non-executive Director of the Company in May 1997. He is the Director – Property of Kowloon-Canton Railway Corporation. He is an Authorized Person under the Buildings Ordinance and a Registered Professional Surveyor. Mr. Lam has over 30 years of experience in the surveying profession. He is a fellow member of the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. He is a fellow member and the Past President (1986-1987) of the Hong Kong Institute of Surveyors, and a fellow member and the Past Chairman (1997-2000) of the Hong Kong Institute of Arbitrators. Mr. Lam is a member of the Administrative Appeals Board and was a member of the Hong Kong Housing Authority and Chairman of its Building Committee, a member of the Hong Kong Surveyors Registration Board and a consultant to the World Bank on the Urban Land Policies Study for the PRC. He is also a Council Member of the Hong Kong International Arbitration Centre. Mr. Lam had worked in the Hongkong Land Group, Architectural Services Department, Housing Department, Hongkong Bank Group, Sime Darby Group, China Light & Power Group and was a former Executive Director of Tian An China Investments Company Limited and the former Chairman of DCL Consultants Limited.

DIRECTORS *(cont'd)*

Mr. Selwyn MAR, aged 69, was appointed as an Independent Non-executive Director of the Company in November 2002. Mr. Mar graduated from the London School of Economics, University of London. He is a Chartered Accountant, the Managing Partner of Nexia Charles Mar Fan & Co., Certified Public Accountants and the Managing Director of Marfan & Associates Limited. Mr. Mar was the President of the Hong Kong Institute of Certified Public Accountants in 1991, a member of the Appeals Panel of Securities & Futures Commission and a member of the Board of Governors of Chinese International School. In the past 27 years, Mr. Mar had been active in commercial and industrial undertakings. Presently, he sits on the board of two financial institutions.

Ms. TAM Wai Chu, Maria, aged 59, was appointed as an Independent Non-executive Director of the Company in April 1997. Ms. Tam holds a Bachelor's degree in Law from the London University. She has been a practising barrister since 1972. Ms. Tam is currently involved in numerous community services which include the Deputy of the National Peoples' Congress of the PRC, member of the Basic Law Committee of the Hong Kong Special Administrative Region, member of the Bar Association, board member of both of the Hong Kong Airport Authority and the Urban Renewal Authority and member of the Advisory Committee on Corruption of the Independent Commission Against Corruption.

SENIOR MANAGEMENT

Mr. LI Tan, aged 48, was appointed as the Deputy General Manager of the Company and the General Manager of the Company's Real Estates Development Department in June 2003, responsible for monitoring strategic planning, management and development of the Company's business in the area of property development.

Mr. Li holds a Master's degree in the Construction Economics and Project Management from the Tongji University and a Bachelor's degree in Building Structure from the South China University of Science and Engineering. He is a Chartered Builder of both of the Chartered Institute of Building, United Kingdom and the American Institute of Constructors and is a member of several professional institutes in construction and building industry.

Prior to joining the Company, Mr. Li has been a Director and a Project Director of various corporations. He has been engaged in property development and management, construction, professional consultant services, corporate and investment project management in the PRC as well as Hong Kong for over 26 years.

Ms. YUEN Wai Man, aged 32, joined the Company in May 2002 and is the Financial Controller of the Company. She has been appointed as the Qualified Accountant of the Company since March 2004. Ms. Yuen holds a degree of Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology and is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Company, she was the qualified accountant of a company listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Ms. Yuen has extensive experience in financial and general management.

Miss. SIU Tin Ho, aged 40, joined the Company in May 2000 and is the Company Secretary of the Company. She graduated from the City University of Hong Kong and is an associate member of the Hong Kong Institute of Company Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Prior to joining the Company, Miss. Siu has been working for major accounting firms and sizeable listed groups. She has extensive experience in company secretarial affairs.

SENIOR MANAGEMENT *(cont'd)*

Mr. XU Minluo, aged 48, was appointed as the General Manager of the Company's Construction Division in December 2002, responsible for overseeing the operation of the subsidiaries of the Company. He was appointed as the Managing Director of Enful Group in October 2004, responsible for the operation of and strategic planning for the companies under Enful Group. Mr. Xu graduated from the Hua Chiao University in 1982 with a Bachelor of Science degree and obtained a Master's degree in Business Administration from the Murdoch University, Australia in 1998. Prior to joining the Company, he has been a member of senior management of construction and real estate corporations in Hong Kong for many years. Mr. Xu has extensive experience in building construction, property development and corporate management.

Mr. SZETO Wai Hung, **Augustine**, aged 45, is the Managing Director of Jaeger Group. He was appointed as the General Manager of the Corporate Development Department of the Company in January 2005. Mr. Szeto holds a Bachelor's degree in Commerce from the University of New South Wales, Australia and an EMBA degree from the Richard Ivey School of Business of the University of Western Ontario, Canada. He is an associate member of the Institute of Chartered Accountants in Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. He joined Jaeger Group in 1993 as the Financial Controller and became the General Manager of Jaeger Group in 1994. He was further promoted to the Managing Director in 1997. Mr. Szeto has over 20 years of experience in Hong Kong and overseas financial, marketing and general management.

Ms. CHEN XIE Ying, aged 41, joined the Company in April 2003 and is the Internal Audit Manager of the Company. Ms. Chen holds a Master's degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Company, she has been the head of internal audit department and a member of the risk management committee of a financial institution listed on the Stock Exchange for many years. Ms. Chen has extensive experience in improving internal control and risk management.

Ms. WONG Mei Yee, aged 43, joined the Company in May 1993 and is the Human Resources Manager of the Company. She is responsible for administration and human resources management of the Company. Ms. Wong has extensive experience in administration and human resources management.

REPORT OF THE DIRECTORS

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 accounts for the year ended 31 December 2004.

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 14 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 36.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2004 (2003: Nil).

FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in Note 13 to the accounts.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 25 to the accounts.

RESERVES

Movements in reserves of the Group and of the Company during the year are set out in Note 26 to the accounts.

DIRECTORS

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

Executive Directors
Lin Xizhong
Wang Xingdong
Yan Xichuan
Qian Wenchao
He Xiaoli

Independent Non-executive Directors
Lam Chun, Daniel
Selwyn Mar
Tam Wai Chu, Maria

Mr. Yan Xichuan and Mr. Lam Chun, Daniel ("**Mr. Lam**") 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 2004, 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 2004, 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:

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

Long Position in Shares of the Company *(cont'd)*

(b) Share options (cont'd)

Name of Director	Date of acceptance of share options	Exercise period of share options	Exercise price of share options	Number of share options outstanding as at 31 December 2004
			HK$	
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

Save as disclosed above, as at 31 December 2004, none of the Directors or the chief executive of the Company or any of their associates had any personal, family, corporate or other interests or short position 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 2004, 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).

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 2004.

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 2004, 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 *(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

Save for the construction project management agreement dated 29 July 2004 ("**PM Agreement**") between 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 a controlling shareholder of the Company), no contracts of significance were entered into between the Company or its subsidiaries and the Company's controlling shareholder or its subsidiaries during the year. Details of the PM Agreement have been published in the Company's announcement dated 29 July 2004.

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	
	2004	2003	**2004**	2003
The largest customer	**9.0%**	33.2%		
Five largest customers in aggregate	**19.9%**	43.4%		
The largest supplier			**14.9%**	7.6%
Five largest suppliers in aggregate			**29.5%**	20.7%

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.

PROPERTIES

Particulars of the major properties held for investment and property under development of the Group are shown on page 89.

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 90.

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 ("**Listing Rules**").

A summary of the Scheme is set out as follows:

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

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

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
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	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: (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 2004, 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 *HK$*	Number of share options lapsed during the year	Number of share options outstanding as at 31 December 2004
(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	200,000	8,900,000

The closing price of the shares of the Company immediately before the date on which the share options disclosed above were granted (that is, 12 March 2004) was HK$0.81 while 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 were lapsed or cancelled in accordance with the terms of the Scheme during the year.

The Directors consider that it is inappropriate to value the share options disclosed above because any valuation of those options based on a large number of speculative assumptions would not be meaningful and would be misleading.

* *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.

CODE OF BEST PRACTICE

Throughout the year ended 31 December 2004, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules with effect up to 31 December 2004 except that the Independent Non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

CODE OF BEST PRACTICE *(cont'd)*

In response to the promulgation of a new Code on Corporate Governance Practices ("**CG Code**") by the Stock Exchange, which came into effect on 1 January 2005, the Directors resolved in February 2005 to implement the code provisions of the CG Code to the extent that it is reasonably practicable and in the interests of the Company to do so and the following matters are being and/or have been dealt with:

(i) review of the scope of duties of the Chairman, the Managing Director, other Executive Directors and the Independent Non-executive Directors;

(ii) review of the terms of reference of the audit committee, remuneration committee and investment committee;

(iii) fixing of the term of office of the Independent Non-executive Directors; and

(iv) preparation of a schedule for the regular meetings of the Directors on yearly basis.

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.

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 as its code of conduct regarding securities transactions by Directors ("**Model Code**") and has made specific enquiry of all Directors and has received a written confirmation from each Director confirming that he/she has complied with the Model Code throughout the year ended 31 December 2004 if he/she carried out any securities dealings.

The Company also established 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 receives 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 the other member of the Designated Committee and receives a dated written acknowledgement before any dealing.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

A written confirmation was received from each of Mr. Lam, Mr. Selwyn Mar ("**Mr. Mar**") and Ms. Tam Wai Chu, Maria ("**Ms. Tam**"), the Independent Non-executive Directors of the Company, confirming their independence in accordance with Rule 3.13 of the Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS *(cont'd)*

Mr. Lam is an honorary consultant of Shanghai City Development Law Firm 上海市建緯律師事務所 ("**SCD**"), a legal firm in the People's Republic of China ("**PRC**") which is the legal advisor acting for a wholly owned subsidiary of the Company in a litigation proceeding conducted in the PRC. Mr. Lam is not a director, partner, principal or employee of SCD nor has he had any administrative or management role in SCD. Mr. Lam further confirms that he receives no economic or monetary benefit from the position nor do any obligations or duties arise which he must or is encouraged to perform.

The Company considers that all Independent Non-executive Directors to be independent.

AUDIT COMMITTEE

The audit committee of the Company comprises three Independent Non-executive Directors namely, Mr. Lam, Mr. Mar and Ms. Tam. The audit committee has reviewed with the auditors the audited accounts for the year ended 31 December 2004 and has also discussed auditing, internal control and financial reporting matters including the review of the accounting practices and principles adopted by the Group.

During the year, the audit committee convened four meetings and has made recommendations to the management of the Group with special focus on risky areas to ensure the existence of adequate and effective controls.

AUDITORS

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

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

CONNECTED TRANSACTIONS

PART A Non Wholly Owned Subsidiaries

CONNECTED TRANSACTIONS WHICH FALL UNDER RULE 14.25(2) OF THE LISTING RULES WITH EFFECT UP TO 30 MARCH 2004

Prior to the ZOBHP Acquisition (as defined herebelow), Zhuhai (Oriental) Blue Horrison Properties Company Limited ("**ZOBHP**") was owned as to 80% by ONFEM Company Limited ("**OCL**"), a wholly owned subsidiary of the Company, and 20% by Zhuhai Shining Metals Group Inc. ("**Shining Metals**"). As announced in the Company's announcement dated 9 January 2004, OCL has acquired 20% equity interest in ZOBHP originally held by Shining Metals ("**ZOBHP Acquisition**") at a public auction in the PRC on 8 January 2004, turning ZOBHP into a wholly owned subsidiary of the Company. The necessary approvals and consents have been obtained in respect of the registration of the transfer and the conversion of ZOBHP from a Sino-foreign equity joint venture (中外合資企業) to a wholly foreign-owned enterprise (外商獨資企業).

CONNECTED TRANSACTIONS *(cont'd)*

PART A Non Wholly Owned Subsidiaries *(cont'd)*

CONNECTED TRANSACTIONS WHICH FALL UNDER RULE 14.25(2) OF THE LISTING RULES WITH EFFECT UP TO 30 MARCH 2004 (cont'd)

Details of the supplemental agreements entered into between ZOBHP and OCL on or after 1 January 2004 but prior to the completion of the ZOBHP Acquisition to extend the repayment date of each respective loan from OCL to ZOBHP for a term of one year from the respective maturity date at the best lending rate as quoted by the People's Bank of China per annum are set out in the following table:

Date of supplemental agreement	Loan amount *RMB*	Purpose of the loan	Advance from Shining Metals
2 January 2004	3,840,000	To finance the working capital requirement	The repayment date of the loan of a principal amount of RMB960,000 granted by Shining Metals to ZOBHP (proportional to the 20% shareholding of Shining Metals) was also extended accordingly
2 January 2004	7,837,829.60	To finance the working capital requirement	The repayment date of the loan of a principal amount of RMB1,959,457.40 granted by Shining Metals to ZOBHP (proportional to the 20% shareholding of Shining Metals) was also extended accordingly
2 January 2004	2,400,000	To finance the working capital requirement	The repayment date of the loan of a principal amount of RMB600,000 granted by Shining Metals to ZOBHP (proportional to the 20% shareholding of Shining Metals) was also extended accordingly
2 January 2004	4,000,000	To finance the working capital requirement	The repayment date of the loan of a principal amount of RMB1,000,000 granted by Shining Metals to ZOBHP (proportional to the 20% shareholding of Shining Metals) was also extended accordingly

CONNECTED TRANSACTIONS *(cont'd)*

PART A Non Wholly Owned Subsidiaries *(cont'd)*

CONNECTED TRANSACTION WHICH FALLS UNDER RULE 14.26 OF THE LISTING RULES WITH EFFECT UP TO 30 MARCH 2004

On 8 January 2004, OCL acquired 20% equity interest in ZOBHP originally held by Shining Metals at a public auction and on the same date entered into a letter of confirmation ("**Letter**") with Zhuhai Chengyu Auction Company Limited ("**Chengyu**"), an independent third party not connected with the Directors, chief executive, substantial shareholders of the Company, any of its subsidiaries or their associates (as defined in the Listing Rules). Details of the Letter are set out below:

Parties:	OCL as purchaser; and Chengyu as vendor
Assets acquired:	20% equity interest in ZOBHP
Consideration:	RMB12,859,256 (including commission payment to Chengyu but excluding taxes and other expenses)
Purpose of the transaction:	to facilitate OCL to implement its decision on the development of the Haitian Garden project undertaken by ZOBHP and, in turn, improve the efficiency of ZOBHP's operation

June Glory, the immediate controlling shareholder of the Company holding approximately 53.95% of the issued share capital of the Company, issued to the Company a written certificate evidencing its approval of the transactions contemplated under the Letter. The Company applied to the Stock Exchange for a waiver from convening a general meeting of the Company to approve the transactions contemplated under the Letter and the Stock Exchange granted the waiver as sought.

CONNECTED TRANSACTION WHICH FALLS UNDER RULE 14A.32(2) OF THE LISTING RULES WITH EFFECT FROM 31 MARCH 2004

Prior to the completion of the S&P Agreement (as defined herebelow),

(i) Perfect Way Investments Limited ("**PWI**"), a wholly owned subsidiary of the Company, held 52% of the beneficial interest in Enful Holdings Limited ("**EHL**") while the remaining 48% of the beneficial interest in EHL was held by Sinowise Development Limited ("**Sinowise**"); and

(ii) Sinowise is in turn beneficially owned as to 22% by Mr. Keung Chee Cheong ("**Mr. Keung**"), 22% by Mr. Mak Yun Wo, Simon ("**Mr. Mak**"), 26% by Mr. Woo King Kwong ("**Mr. Woo**") and 30% by Mr. Kong Chi Yeung ("**Mr. Kong**"). The effective interest in EHL held by each of Mr. Keung, Mr. Mak, Mr. Woo and Mr. Kong were 10.56%, 10.56%, 12.48% and 14.40% respectively.

Mr. Keung and Mr. Mak were also directors of EHL and Enful Engineering Limited ("**EEL**") until 5 May 2004. EEL is a wholly owned subsidiary of EHL.

CONNECTED TRANSACTIONS *(cont'd)*

PART A Non Wholly Owned Subsidiaries *(cont'd)*

CONNECTED TRANSACTION WHICH FALLS UNDER RULE 14A.32(2) OF THE LISTING RULES WITH EFFECT FROM 31 MARCH 2004 (cont'd)

On 29 April 2004, PWI, Sinowise, Mr. Kong, Mr. Keung, Mr. Mak and Mr. Woo entered into a sale and purchase agreement ("**S&P Agreement**") for the acquisition by PWI of the 48% interest in EHL held by Sinowise ("**Sale Shares**") and the assignment of the benefit of the debt of HK$3,050,253.51 owing by EEL to Sinowise as at completion of the S&P Agreement ("**Debt**"). Details of the S&P Agreement are set out below:

Parties:	(1) PWI, as purchaser (2) Sinowise, as vendor (3) Mr. Kong, Mr. Keung, Mr. Mak and Mr. Woo as guarantors for the performance of Sinowise's obligations under the S&P Agreement
Assets acquired:	the Sale Shares and the Debt
Consideration:	upon completion of the S&P Agreement, PWI paid HK$1.00 to Sinowise for the Sale Shares and also paid HK$1.00 to Sinowise for the benefit of the Debt
Purpose of the transaction:	to facilitate the Company to implement its decision on the EHL Group (as defined in the Company's announcement dated 30 April 2004) and in turn improve the efficiency of operations of the EHL Group

Upon completion of the S&P Agreement on 5 May 2004, EHL and EEL became wholly owned subsidiaries of the Company.

PART B Fellow Subsidiaries

(I) 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)

CONNECTED TRANSACTIONS *(cont'd)*

PART B Fellow Subsidiaries *(cont'd)*

(II) 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)

(III) WMFE is a wholly owned subsidiary of the Company while GTH is an associate of Minmetals HK. On 29 July 2004, WMFE and GTH entered into the 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 PRC ("**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)

The transactions contemplated under the PM Agreement were approved by the Company's independent shareholders at a special general meeting of the Company held on 14 September 2004.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The Tenancy Agreement and the Licence Agreement as mentioned in sub-sections I and II of Part B of the above section entitled "Connected Transactions" constituted continuing connected transactions of the Company under the Listing Rules.

The Independent Non-executive Directors had reviewed the transactions contemplated under the Tenancy Agreement and the Licence Agreement (collectively, "**Transactions**") for the year ended 31 December 2004 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;

(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 and the transactions contemplated under the Licence Agreement have fallen under the de minimis provision of Rule 14A.33(3) of the Listing Rules.

By Order of the Board
Lin Xizhong
Chairman

Hong Kong, 15 April 2005

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AUDITORS' REPORT TO THE SHAREHOLDERS OF
ONFEM HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 36 to 88 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 April 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Note	2004 HK$'000	2003 HK$'000
Turnover	3	**86,605**	160,941
Cost of sales		**(42,830)**	(122,140)
Gross profit		**43,775**	38,801
Other revenue	3	**2,383**	4,501
Distribution costs		**(12,370)**	(11,432)
Administrative expenses	32	**(30,770)**	(78,832)
Other operating expenses		**(2,930)**	(4,593)
Provision for properties under development		**(25,000)**	(11,276)
Gain/(loss) on revaluation of investment properties	13(c)	**23,033**	(8,250)
Gain on deconsolidation of subsidiaries	28(d)	**78,707**	38,747
Write-back of provision for a bank guarantee	22(b)	**10,148**	–
Operating profit/(loss)	4	**86,976**	(32,334)
Finance costs	5	**(1,385)**	(4,860)
Profit/(loss) before taxation		**85,591**	(37,194)
Taxation	6	**(977)**	(95)
Profit/(loss) after taxation		**84,614**	(37,289)
Minority interests		**–**	1,550
Profit/(loss) attributable to shareholders	7	**84,614**	(35,739)
Dividends	8	**–**	–
Basic earnings/(loss) per share (HK cents)	9	**10.96**	(4.63)

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Note	2004 HK$'000	2003 HK$'000
Non-current assets			
Goodwill	12	**11,491**	–
Fixed assets	13	**242,902**	220,479
Non-trading securities	15	**28,440**	28,440
Deferred tax assets	24	**932**	932
Retention receivables	19	**879**	607
Other assets	16	**1,716**	1,738
		286,360	252,196
Current assets			
Inventories	17	**202,491**	218,475
Amount due from a fellow subsidiary		**–**	1
Amount due from a minority investor		**–**	37
Trade and other receivables	18	**83,490**	48,392
Gross amounts due from customers for contract work	19	**1,684**	3,261
Trading securities	20	**2,489**	2,142
Pledged deposits	29	**38,100**	53,210
Cash and bank deposits	21	**120,839**	199,288
		449,093	524,806
Current liabilities			
Amounts due to minority investors		**–**	9,571
Trade and other payables	22	**109,376**	135,865
Gross amounts due to customers for contract work	19	**810**	16,363
Taxation payable		**14,037**	32,005
Short-term borrowings	23	**43,131**	71,304
		167,354	265,108
Net current assets		**281,739**	259,698
Total assets less current liabilities		**568,099**	511,894

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Note	2004 HK$'000	2003 HK$'000
Financed by:			
Share capital	25	**77,218**	77,218
Reserves	26	**483,947**	397,489
Shareholders' funds		**561,165**	474,707
Minority interests		**3,617**	30,778
Non-current liabilities			
Amounts due to minority investors		**–**	3,741
Other liabilities		**3,317**	2,668
		3,317	6,409
		568,099	511,894

Wang Xingdong
Director

He Xiaoli
Director

BALANCE SHEET

As at 31 December 2004

	Note	2004 HK$'000	2003 HK$'000
Non-current assets			
Investments in subsidiaries	14	**496,309**	406,688
Other assets	16	**1,312**	1,312
		497,621	408,000
Current assets			
Other receivables	18	**1,052**	7,822
Pledged deposits	29	**9,500**	25,096
Cash and bank deposits	21	**75,457**	176,032
		86,009	208,950
Current liabilities			
Other payables	22	**2,730**	57,328
Net current assets		**83,279**	151,622
Total assets less current liabilities		**580,900**	559,622
Financed by:			
Share capital	25	**77,218**	77,218
Reserves	26	**503,682**	482,404
Shareholders' funds		**580,900**	559,622

Wang Xingdong
Director

He Xiaoli
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	2004 HK$'000	2003 HK$'000
Total equity as at 1 January	**474,707**	499,058
Surplus on revaluation of non-trading securities	**–**	11,880
Release of reserve upon liquidation of a subsidiary	**(1,003)**	–
Exchange differences on translation of the accounts of foreign subsidiaries	**2,247**	(492)
Surplus on revaluation of an investment property	**600**	–
Net gain not recognised in the profit and loss account	**1,844**	11,388
Profit/(loss) for the year	**84,614**	(35,739)
Total equity as at 31 December	**561,165**	474,707

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Note	2004 HK$'000	2003 HK$'000
Operating activities			
Net cash (used in)/generated from operations	28(a)	**(28,604)**	31,440
Interest paid		**(3,095)**	(6,442)
Overseas tax paid		**(977)**	(738)
Net cash (used in)/generated from operating activities		**(32,676)**	24,260
Investing activities			
Purchase of fixed assets		**(3,606)**	(2,072)
Proceeds from disposal of fixed assets		**480**	833
Purchase of trading securities		**–**	(5,214)
Dividends received from listed investments		**499**	788
Proceeds from disposal of trading securities		**–**	29,536
Interest received		**2,383**	4,090
Acquisition of additional interest in a subsidiary	28(b)	**(12,088)**	–
Acquisition of a subsidiary, net of cash acquired	28(c)	**4,548**	–
Deconsolidation of subsidiaries	28(d)	**(413)**	(3,530)
Net cash (used in)/generated from investing activities		**(8,197)**	24,431
Net cash (used in)/generated before financing activities		**(40,873)**	48,691
Financing activities	28(e)		
New borrowings		**2,152**	3,600
Repayment of borrowings		**(3,845)**	(199)
Net cash (used in)/generated from financing activities		**(1,693)**	3,401
(Decrease)/increase in cash and cash equivalents		**(42,566)**	52,092
Cash and cash equivalents at 1 January		**162,247**	110,155
Cash and cash equivalents at 31 December	28(f)	**119,681**	162,247

1. ORGANISATION AND OPERATIONS

ONFEM Holdings Limited ("**Company**") was incorporated in Bermuda. The Company is an investment holding company. The principal activities and other particulars of the Company's subsidiaries are set out in Note 14 to the accounts.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The accounts of the Company and its subsidiaries ("**Group**") have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain properties and investments in securities are stated at fair value.

(b) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("**new HKFRSs**") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(c) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of their voting power; has the power to govern the financial and operating policies; to appoint or remove a majority of the members of the board of directors, or to cast a majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(c) Consolidation *(cont'd)*

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisition is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5-10 years.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

(e) Revenue recognition

The accounting policy for contract revenue recognition is set out in Note 2(j).

Revenue from the sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Operating lease rental income is recognised on a straight-line basis over the lease period.

Income arising from the sales of completed properties is recognised when title to the properties has passed to the purchaser.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(e) Revenue recognition *(cont'd)*

Income on the sales of trading securities is recognised when title to the trading securities has passed to the purchaser.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

(f) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at open market value determined annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) Other properties

Other properties are interests in land and buildings other than investment properties and properties under development and are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Other fixed assets

Other fixed assets, comprising leasehold improvements, plant and machinery, furniture, fixtures and equipment, and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(f) Fixed assets *(cont'd)*

(iv) Depreciation

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Leasehold land is amortised over the remaining period of the lease. Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Over the remaining period of the lease
Buildings	2% – 5%
Leasehold improvements	Over the remaining period of the lease
Plant and machinery	5% – 25%
Furniture, fixtures and equipment	15% – 25%
Motor vehicles	20% – 30%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over expected useful lives.

(v) Impairment/gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings or accumulated losses and is shown as a movement in reserves.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(g) Investments in securities

(i) Non-trading securities

Investments which are held for non-trading purpose are stated at fair value. Changes in the fair value of the individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amounts of the relevant security, together with any surplus or deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Where there is objective evidence that individual investments are impaired the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(ii) Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Inventories

(i) Manufacturing and trading

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sale proceeds less estimated selling expenses.

(ii) Properties under development, properties or land held for sale

Properties under development represent interests in land and buildings under construction. Properties under development and properties or land held for sale are carried at the lower of cost and net realisable value. Cost comprises original land acquisition costs, costs of land use rights, construction expenditures incurred and other direct development costs attributable to such properties, including interest. Net realisable value is the anticipated sales proceeds estimated by the directors based on prevailing market prices, on an individual property basis, less any further costs expected to be incurred on disposal.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(i) Trade and other receivables

Provision is made against trade and other receivables to the extent which they are considered to be doubtful. Trade and other receivables in the balance sheet are stated net of such provision.

(j) Construction contracts in progress

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable to be recoverable. Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the stage of completion is measured by reference to the percentage of contract costs incurred to date to total estimated contract costs for the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as gross amounts due from customers for contract work, under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as gross amounts due to customers for contract work, under current liabilities.

(k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(n) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(o) Employee benefits *(cont'd)*

(ii) Pension obligations

The Group participates in a number of defined contribution pension plans, the assets of which are generally held in separate trustee – administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies.

(iii) Share options

Share options could be granted to certain directors and eligible person. No compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium.

(p) Assets under leases

(i) Finance leases

Leases where substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum leases payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

2. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(r) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, investments in securities, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are based on geographical locations of the assets.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in specialised construction contracting, manufacturing and trading, property leasing, property development and securities investment and trading.

	2004 HK$'000	2003 HK$'000
(a) Turnover		
Specialised construction contracting	**20,421**	86,056
Manufacturing and trading	**55,115**	57,797
Property leasing	**10,620**	10,826
Securities investment and trading	**449**	6,262
	86,605	160,941
(b) Other revenue		
Interest income from bank deposits	**2,276**	3,951
Interest income from loans to a deconsolidated subsidiary	**107**	139
Others	**–**	411
	2,383	4,501
Total revenue	**88,988**	165,442

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(cont'd)*

(c) 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. Accordingly, the Group has categorised its businesses into the following segments:

Specialised construction contracting:	Design and installation of curtain walls and aluminium windows, as well as provision of construction project management services and other construction work related contracting businesses.
Manufacturing and trading:	Manufacturing and trading of lubricant oil and chemical products, doors and fire proof materials.
Property leasing:	Leasing of premises to generate rental income and to gain from the appreciation in the properties' values in the long term.
Property development:	Development of residential and commercial properties.
Securities investment and trading:	Trading and investment of securities.

Inter-segment sales are charged at prevailing market prices.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(cont'd)*

(c) Primary reporting format – business segments *(cont'd)*

Segment turnover and results

	Specialised construction contracting		Manufacturing and trading		Property leasing		Property development		Securities investment and trading		Elimination		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue														
Sales to external customers	**20,421**	86,056	**55,115**	57,797	**10,620**	10,826	**–**	–	**449**	6,262	**–**	–	**86,605**	160,941
Inter-segment sales	**–**	–	**–**	1,139	**–**	–	**–**	–	**–**	–	**–**	(1,139)	**–**	–
	20,421	86,056	**55,115**	58,936	**10,620**	10,826	**–**	–	**449**	6,262	**–**	(1,139)	**86,605**	160,941
Result														
Segment results	**731**	(38,176)	**(754)**	(3,671)	**30,659**	(4,657)	**(19,897)**	(10,936)	**708**	6,300	**–**	–	**11,447**	(51,140)
Gain on deconsolidation of subsidiaries													**78,707**	38,747
Write-back of provision for a bank guarantee													**10,148**	–
Unallocated corporate expenses, net													**(13,326)**	(19,941)
Operating profit/(loss)													**86,976**	(32,334)
Finance costs													**(1,385)**	(4,860)
Taxation													**(977)**	(95)
Minority interests													**–**	1,550
Profit/(loss) attributable to shareholders													**84,614**	(35,739)

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(cont'd)*

(c) Primary reporting format – business segments *(cont'd)*

Segment balance sheet and other segment information

	Specialised construction contracting		Manufacturing and trading		Property leasing		Property development		Securities investment and trading		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	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 balance sheet												
Segment assets	**78,432**	30,015	**27,858**	27,925	**235,458**	208,515	**245,218**	212,179	**31,177**	32,296	**618,143**	510,930
Unallocated corporate assets											**117,310**	266,072
Total assets											**735,453**	777,002
Segment liabilities	**47,136**	92,641	**8,788**	10,353	**5,017**	3,484	**34,860**	35,144	**–**	–	**95,801**	141,622
Unallocated corporate liabilities											**74,870**	129,895
Total liabilities											**170,671**	271,517
Other information												
Capital expenditure	**174**	633	**918**	1,039	**29**	57	**21**	145	**–**	–		
Depreciation	**172**	874	**1,841**	1,992	**73**	46	**204**	229	**1**	3		
Impairment loss recognised in the profit and loss account	**88**	546	**1,798**	477	**–**	–	**–**	–	**–**	–		
Non-cash expenses/(income) other than depreciation	**997**	3,403	**386**	3,715	**(23,066)**	8,488	**25,000**	11,276	**(347)**	(347)		

(d) Secondary reporting format – geographical segments

The Group's business is managed on a worldwide basis, but it participates in three principal economic environments. Hong Kong and Macau and the People's Republic of China (other than Hong Kong and Macau) ("**PRC**") are the major markets for all the Group's businesses, except that a small portion of its income is derived from Southeast Asian countries.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(cont'd)*

(d) Secondary reporting format – geographical segments *(cont'd)*

The Group's business segments operate in three main geographical areas:

Hong Kong and Macau:	specialised construction contracting, manufacturing and trading, property leasing and securities investment and trading
The PRC:	specialised construction contracting, manufacturing and trading, property leasing and property development
Southeast Asian countries:	manufacturing and trading

In presenting information on the basis of geographical segments, sales are based on the geographical locations of the customers. Segment assets and capital expenditure are based on geographical locations of the assets.

	Hong Kong and Macau		The PRC		Southeast Asian countries		Other countries		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
External sales	**16,483**	98,446	**69,765**	62,213	**357**	282	**–**	–	**86,605**	160,941
Segment assets	**290,552**	285,199	**327,578**	225,699	**–**	–	**13**	32	**618,143**	510,930
Capital expenditure	**2,645**	1,096	**961**	976	**–**	–	**–**	–	**3,606**	2,072

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting) the following:

	2004 HK$'000	2003 HK$'000
Gross rental and management fee income from investment properties	**(10,620)**	(10,826)
Less: Outgoings	**2,185**	2,039
	(8,435)	(8,787)
Cost of inventories sold	**27,245**	24,640
Pension scheme contributions, net of forfeited contributions	**991**	1,587
Operating leases in respect of land and buildings	**3,894**	4,117
Less: Amount capitalised in properties under development	**(260)**	(175)
	3,634	3,942
Auditors' remuneration	**1,540**	1,850
Exchange gain, net	**(1,129)**	(9,146)
(Gain)/loss on disposal of fixed assets	**(294)**	108
Impairment loss of fixed assets	**1,393**	1,282
Depreciation on		
Owned fixed assets	**3,333**	3,447
Leased fixed assets	**–**	49
	3,333	3,496
Less: Amount capitalised in properties under development	**(204)**	(175)
	3,129	3,321
Staff costs (excluding Directors' emoluments, see Note 10)	**29,609**	36,847
(Write-back of provision)/provision for inventory obsolescence	**(636)**	1,878
(Write-back of provision)/provision for bad and doubtful debts (a)	**(9,295)**	2,000
Gain on assignment of benefit of debt by a former minority investor (b)	**(3,051)**	–
Amortisation of goodwill and negative goodwill (see Note 12)	**(3,954)**	–
Unrealised gain on revaluation of trading securities	**(347)**	(347)

4. OPERATING PROFIT/(LOSS) *(cont'd)*

(a) An amount of approximately HK$3,603,000 (2003: HK$2,162,000), 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 year from the liquidators of CNMG as interim dividends to the unsecured creditors of CNMG.

(b) On 29 April 2004, the Group acquired the remaining 48% equity interest of Enful Holdings Limited ("**EHL**"), a subsidiary incorporated in the British Virgin Islands, at a cash consideration of HK$1. As a result of the acquisition, EHL has turned from a 52% owned subsidiary into a wholly owned subsidiary of the Company. In addition, the Group paid HK$1 to the former minority investor of EHL for the assignment of the benefit of debt owed by a subsidiary of EHL of approximately HK$3,051,000 from the former minority investor of EHL to the Group.

5. FINANCE COSTS

	2004 **HK$'000**	2003 HK$'000
Bank loans and overdrafts		
Wholly repayable within five years	**2,773**	6,197
Loans from minority investors		
Wholly repayable within five years	**–**	224
Other loans		
Wholly repayable within five years	**316**	–
Finance leases	**6**	21
	3,095	6,442
Less: Borrowing costs capitalised in properties under development (a)	**(1,710)**	(1,582)
	1,385	4,860

(a) Borrowing costs were capitalised at a rate from 5.31% to 5.58% (2003: 5.31%) per annum.

6. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the year (2003: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 **HK$'000**	2003 HK$'000
Hong Kong profits tax		
Over-provision in prior years	**–**	(109)
Overseas taxation	**977**	157
Deferred taxation relating to the reversal of temporary differences (see Note 24)	**–**	47
Taxation charge	**977**	95

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2004 **HK$'000**	2003 HK$'000
Profit/(loss) before taxation	**85,591**	(37,194)
Calculated at a taxation rate of 17.5% (2003: 17.5%)	**14,978**	(6,509)
Effect of different taxation rates in other countries	**758**	3,507
Income not subject to taxation	**(22,587)**	(38,303)
Expenses not deductible for taxation purposes	**7,322**	32,934
Unrecognised tax losses	**506**	8,557
Increase in net deferred tax assets arising from an increase in taxation rate	**–**	(91)
Taxation charge	**977**	95

7. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Consolidated profit/(loss) attributable to shareholders includes a profit of approximately HK$21,278,000 (2003: HK$1,567,000) which has been dealt with in the accounts of the Company.

8. DIVIDENDS

The directors of the Company ("**Directors**") do not recommend the payment of a dividend for the year ended 31 December 2004 (2003: Nil).

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated based on the consolidated profit attributable to shareholders of approximately HK$84,614,000 (2003: consolidated loss attributable to shareholders of approximately HK$35,739,000) and the weighted average number of 772,181,783 shares (2003: 772,181,783 shares) in issue during the year.

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

10. STAFF COSTS

	2004 **HK$'000**	2003 HK$'000
Excluding Directors' remuneration:		
Wages	**28,684**	35,346
Provision for unutilised annual leave	**20**	296
Write-back of provision for long service payment	**(86)**	(322)
Pension costs – defined contribution plans	**991**	1,527
	29,609	36,847

11. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

The aggregate amount of emoluments payable to the Directors during the year are as follows:

	2004 **HK$'000**	2003 HK$'000
Executive Directors		
Salaries and allowances	**4,654**	5,314
Pension scheme contributions	**60**	60
Independent Non-executive Directors		
Fees	**910**	910
	5,624	6,284

During the year, 12,000,000 share options (2003: Nil) were granted to the Executive Directors under the share option scheme adopted on 29 May 2003 (see Note 25(a)).

An analysis of the emoluments of the Directors by number of Directors and emoluments range is as follows:

	2004	2003
Nil to HK$1,000,000	**5**	7
HK$1,000,001 – HK$1,500,000	**2**	2
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**1**	1
	8	10

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or as compensation for loss of office (2003: Nil) and no Directors have waived their emoluments in respect of their services to the Group for the year (2003: Nil).

11. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(cont'd)*

(b) Five highest-paid individuals

The five highest-paid individuals included three (2003: three) Executive Directors whose emoluments are disclosed in (a) above. Details of the emoluments of the other two (2003: two) individuals are as follows:

	2004 **HK$'000**	2003 HK$'000
Salaries and allowances	**2,259**	2,964
Pension scheme contributions	**198**	214
	2,457	3,178

The range of the emoluments of the other two (2003: two) highest-paid individuals is as follows:

	2004	2003
Nil to HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**1**	2
	2	2

During the year, no emoluments were paid by the Group to the five highest-paid individuals as an inducement to join or as compensation for loss of office (2003: Nil).

12. GOODWILL

Goodwill and negative goodwill arising from acquisitions are as follows:

	Group		
	Goodwill (Note 28(c)) HK$'000	Negative goodwill (Note 28(b)) HK$'000	Net HK$'000
Cost			
Additions during the year and at 31 December 2004	**20,275**	**(12,738)**	**7,537**
Accumulated amortisation			
(Charge)/credit during the year and at 31 December 2004	**(1,317)**	**5,271**	**3,954**
Net carrying value			
At 31 December 2004	**18,958**	**(7,467)**	**11,491**

13. FIXED ASSETS

(a) Movements in fixed assets during the year are as follows:

	Group						
	Investment properties	Leasehold land and buildings	Leasehold improve-ments	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation							
At 1 January 2004	206,510	10,985	9,334	10,956	11,311	5,856	254,952
Additions	–	–	**2,273**	**157**	**637**	**539**	**3,606**
Revaluation surplus	**23,633**	–	–	–	–	–	**23,633**
Transfers	**(253)**	**(910)**	–	**(929)**	**929**	–	**(1,163)**
Exchange difference	–	–	–	–	**3**	**9**	**12**
Acquisition of a subsidiary (see Note 28(c))	–	–	–	–	**88**	–	**88**
Deconsolidation of subsidiaries	–	–	**(1,974)**	–	**(4,544)**	**(610)**	**(7,128)**
Other disposals	–	–	**(278)**	**(2,599)**	**(2,948)**	**(1,027)**	**(6,852)**
At 31 December 2004	**229,890**	**10,075**	**9,355**	**7,585**	**5,476**	**4,767**	**267,148**

13. FIXED ASSETS *(cont'd)*

(a) *(cont'd)*

	Group						
	Investment properties HK$'000	**Leasehold land and buildings** HK$'000	**Leasehold improve-ments** HK$'000	**Plant and machinery** HK$'000	**Furniture, fixtures and equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
Accumulated depreciation and impairment losses							
At 1 January 2004	–	3,265	8,108	8,530	9,788	4,782	34,473
Charge for the year	–	175	1,533	510	506	609	3,333
Transfers	–	(1,163)	–	(702)	702	–	(1,163)
Impairment loss, net	–	1,305	–	–	88	–	1,393
Exchange difference	–	–	–	–	–	4	4
Deconsolidation of subsidiaries	–	–	(1,974)	–	(4,544)	(610)	(7,128)
Other disposals	–	–	(278)	(2,538)	(2,875)	(975)	(6,666)
At 31 December 2004	–	3,582	7,389	5,800	3,665	3,810	24,246
Net book value							
At 31 December 2004	229,890	6,493	1,966	1,785	1,811	957	242,902
At 31 December 2003	206,510	7,720	1,226	2,426	1,523	1,074	220,479
Analysis of cost or valuation at 31 December 2004 of the above assets is as follows:							
At cost	–	10,075	9,355	7,585	5,476	4,767	37,258
At professional valuation – 2004	229,890	–	–	–	–	–	229,890
	229,890	10,075	9,355	7,585	5,476	4,767	267,148

13. FIXED ASSETS *(cont'd)*

(b) The carrying amounts of investment properties and leasehold land and buildings are analysed as follows:

	Investment properties		Leasehold land and buildings	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong				
Long-term leases (over 50 years)	**228,100**	202,930	**1,873**	2,970
In the PRC				
Long-term leases (over 50 years)	**1,790**	3,580	**1,781**	–
Medium-term leases (10-50 years)	**–**	–	**2,839**	4,750
	229,890	206,510	**6,493**	7,720

(c) The investment properties were revalued at 31 December 2004 by independent firms of surveyors, Savills (Hong Kong) Limited and Dudley Surveyor Limited, on an open market value basis. Revaluation surplus of approximately HK$23,033,000 (2003: deficit of approximately HK$8,250,000) and HK$600,000 (2003: Nil) has been credited to the profit and loss account and revaluation reserves, respectively.

(d) An investment property with a carrying amount of approximately HK$215,000,000 (2003: HK$195,000,000) is mortgaged as collateral for the Group's banking facilities (see Note 29).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	HK$'000
Unlisted share investments, at cost	**695,296**	695,296
Less: Provision for impairment in value	**(695,296)**	(695,296)
	–	–
Loans to subsidiaries (a)	**51,928**	49,725
Less: Provision for loans to subsidiaries	**(47,800)**	(45,726)
	4,128	3,999
Amounts due from subsidiaries (b)	**1,003,855**	917,145
Less: Provision for amounts due from subsidiaries	**(511,674)**	(514,456)
	492,181	402,689
	496,309	406,688

(a) Included in the loans to subsidiaries are loans to subsidiaries of approximately HK$47,800,000 (2003: HK$2,587,000) which are non-interest bearing. The remaining balances bear interest at commercial lending rates. All balances are unsecured and repayable on demand.

(b) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

14. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

(c) The following is a list of the principal subsidiaries at 31 December 2004:

Name of company	Place of incorporation/ operations	Particulars of issued or registered and paid up capital (i)	Percentage of equity Directly held by the Company	Percentage of equity Indirectly held by the Company	Principal activities
Best Pearl Development Limited	Hong Kong	1,000 shares of HK$1 each	–	100	Property investment
Brena Company Limited	Hong Kong	500,000 shares of HK$1 each	–	100	Provision of management services
Bright Circle Limited	Hong Kong	10,000 shares of HK$1 each	–	100	Property investment
Dongguan Bridgman Fire Doors Limited (ii)	PRC	RMB12,062,711	–	75	Manufacturing of fire proof doors
Eastrend (Hong Kong) Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Enful Engineering Limited	Hong Kong/ Hong Kong and PRC	100 shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	–	100	Selling and installation of fire proof materials and products
Enful Holdings Limited	British Virgin Islands/ Hong Kong and PRC	10,000 shares of US$1 each and 4 non-voting deferred shares of US$1 each	–	100	Investment holding
Full Pacific Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment

14. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

(c) *(cont'd)*

Name of company	Place of incorporation/ operations	Particulars of issued or registered and paid up capital (i)	Percentage of equity Directly held by the Company	Percentage of equity Indirectly held by the Company	Principal activities
Geraldine Profits Limited	British Virgin Islands/ Hong Kong	1 share of US$1	–	100	Securities trading
Great Way Properties Limited	Hong Kong/PRC	2 shares of HK$1 each	–	100	Property investment
Jaeger Development Limited	British Virgin Islands	1 share of US$1	–	100	Investment holding
Jaeger Oil & Chemical Company Limited	Hong Kong	10 shares of HK$100 each and 20,000 non-voting deferred shares of HK$100 each	–	100	Manufacturing and trading of lubricant oil and chemical products
Jaeger Oil & Chemical Holdings Limited	British Virgin Islands/ Hong Kong and PRC	100 shares of US$1 each	–	100	Investment holding
King Life Development Limited	Hong Kong	1,000 shares of HK$1 each	–	100	Provision of financing for other Group companies
Linkcheer Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
ONFEM Company Limited	Hong Kong	2 shares of HK$1 each	–	100	Investment holding
ONFEM Finance Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	100	–	Provision of financing for other Group companies

14. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

(c) *(cont'd)*

Name of company	Place of incorporation/ operations	Particulars of issued or registered and paid up capital (i)	Percentage of equity Directly held by the Company	Indirectly held by the Company	Principal activities
ONFEM Investments Limited	British Virgin Islands/ Hong Kong	100 shares of US$10 each	100	–	Investment holding
Shanghai Jin Qiao Condo Decoration Engineering Company Limited (iii)	PRC	US$2,040,000	–	100	Design and installation of curtain walls
Tinnex Management Limited	Hong Kong	2 shares of HK$1 each	–	100	Property management
Top Gain Properties Limited	Hong Kong/PRC	2 shares of HK$1 each	–	100	Property investment
Virtyre Limited	Hong Kong	2 shares of HK$10 each	–	100	Property investment
Wilson Murray Far East Limited	Hong Kong	100 shares of HK$10 each	–	100	Provision of construction project management services
Zhuhai (Oriental) Blue Horrison Properties Company Limited (iv)	PRC	RMB44,000,000	–	100	Property development

14. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

(c) *(cont'd)*

(i) The class of shares held is ordinary unless otherwise stated. None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2004.

(ii) Dongguan Bridgman Fire Doors Limited ("**Dongguan Bridgman**") is a Sino-foreign equity joint venture established in the PRC with an operating period of 12 years extending to 2005, of which Bridgman Fire Doors (H.K.) Limited, a wholly owned subsidiary of the Company, is a joint venture partner. Pursuant to the terms as stipulated in the joint venture agreement, the Chinese joint venture partner is entitled to a fixed annual guaranteed distribution of RMB60,000, Bridgman Fire Doors (H.K.) Limited is entitled to share all the profits/losses of Dongguan Bridgman after deducting the distribution to the Chinese joint venture partner.

(iii) Shanghai Jin Qiao Condo Decoration Engineering Company Limited ("**SJQ**"), a wholly owned subsidiary of the Company, is a foreign investment enterprise established in the PRC with an operating period of 15 years extending to 2008.

(iv) Zhuhai (Oriental) Blue Horrison Properties Company Limited ("**ZOBHP**"), a wholly owned subsidiary of the Company, is a foreign investment enterprise established in the PRC with an operating period of 8 years extending to 2007.

(d) The Company has undertaken to provide continuing support to finance the future operations of certain subsidiaries.

15. NON-TRADING SECURITIES

	Group	
	2004	2003
	HK$'000	HK$'000
Equity securities:		
Listed in Hong Kong, at fair value	**28,440**	28,440
Unlisted, at cost	**243,600**	243,600
Less: Provision for impairment in value	**(243,600)**	(243,600)
	–	–
	28,440	28,440

16. OTHER ASSETS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Transferrable debentures	**1,312**	1,312	**1,312**	1,312
Others	**404**	426	**–**	–
	1,716	1,738	**1,312**	1,312

17. INVENTORIES

	Group	
	2004	2003
	HK$'000	HK$'000
Manufacturing and trading stocks		
Raw materials	**5,603**	5,212
Work in progress	**196**	231
Finished goods	**3,542**	10,601
	9,341	16,044
Less: Provision for inventory obsolescence	**(2,361)**	(8,465)
	6,980	7,579
Properties under development – located in the PRC	**231,787**	222,172
Less: Provision for net realisable value	**(36,276)**	(11,276)
	195,511	210,896
	202,491	218,475

Properties under development are expected to be recovered after one year. All of the other inventories are expected to be recovered within one year.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and contract receivables, net (a)	**31,672**	32,094	**–**	–
Retention receivables (see Note 19)	**15,023**	3,883	**–**	–
Deposits	**25,374**	1,529	**652**	910
Prepayments	**910**	1,002	**387**	462
Others	**10,511**	9,884	**13**	6,450
	83,490	48,392	**1,052**	7,822

(a) The aging analysis of trade and contract receivables is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
0 – 30 days	**9,194**	28,233
31 – 60 days	**5,340**	5,715
61 – 90 days	**3,247**	5,559
Over 90 days	**33,148**	47,083
	50,929	86,590
Less: Provision for bad and doubtful debts	**(19,257)**	(54,496)
	31,672	32,094

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

A subsidiary of the Group entered into a construction contract with a contract sum of US$7,743,000 (equivalent to approximately HK$60,395,000). During the year, 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 31 December 2004, the amount of contract receivable and retention receivable in respect of this contract amounted to approximately HK$10,129,000 and HK$2,915,000 respectively. The Directors are of the opinion that the subsidiary has strong and valid defense 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 amount receivables as at 31 December 2004.

19. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2004	2003
	HK$'000	HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	**16,954**	609,171
Less: Progress billings to date	**(16,080)**	(622,273)
	874	(13,102)
Included in current assets/(liabilities) under the following captions:		
Gross amounts due from customers for contract work	**1,684**	3,261
Gross amounts due to customers for contract work	**(810)**	(16,363)
	874	(13,102)

As at 31 December 2004, retentions held by customers for contract work included in non-current retention receivables of the Group and trade and other receivables of the Group under Note 18 amounted to approximately HK$879,000 (2003: HK$607,000) and HK$15,023,000 (2003: HK$3,883,000), respectively.

As at 31 December 2004, progress payment from a related company included in gross amounts due to customers for contract work amounted to approximately HK$810,000 (2003: Nil) (see Note 32(b)).

20. TRADING SECURITIES

	Group	
	2004	2003
	HK$'000	HK$'000
At fair value:		
Equity securities listed in Hong Kong	**2,489**	2,142

21. CASH AND BANK DEPOSITS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks	**120,703**	199,126	**75,457**	176,032
Cash on hand	**136**	162	**–**	–
	120,839	199,288	**75,457**	176,032

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade, bills and contract payables (a)	**75,301**	76,796	**–**	3,326
Retention payables	**6,436**	1,840	**–**	–
Accruals and other payable	**25,614**	38,757	**2,730**	3,924
Provisions (b)	**–**	17,176	**–**	50,078
Temporary receipts	**103**	165	**–**	–
Rental deposits received	**1,922**	1,131	**–**	–
	109,376	135,865	**2,730**	57,328

(a) The aging analysis of trade, bills and contract payables is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
0 – 30 days	**14,024**	6,894
31 – 60 days	**11,504**	1,394
61 – 90 days	**1,151**	1,124
Over 90 days	**48,622**	67,384
	75,301	76,796

22. TRADE AND OTHER PAYABLES *(cont'd)*

(b) Provisions

	Group		
	Provision for a bank guarantee[i] HK$'000	**Provision in respect of contract work** HK$'000	**Total** HK$'000
At 1 January 2004	10,148	7,028	17,176
Less: Unused amounts reversed	**(10,148)**	**(7,028)**	**(17,176)**
At 31 December 2004	–	–	–

	Company
	Provisions for bank guarantees HK$'000
At 1 January 2004	50,078
Less: Payments made during the year (see Note 28(d))	**(28,459)**
Unused amounts reversed	**(21,619)**
	(50,078)
At 31 December 2004	–

(i) This amount represents the write-back of provision for a bank guarantee in respect of banking facilities extended to a subsidiary which was deconsolidated in the year ended 31 December 2003.

23. SHORT-TERM BORROWINGS

	Group	
	2004 **HK$'000**	2003 HK$'000
Bank overdrafts, secured	**1,158**	37,041
Trust receipt bank loans, secured	**–**	3,253
Bank loans, secured	**35,247**	26,455
Current portion of obligation under finance leases	**–**	28
Loan from a minority investor	**–**	4,527
Loan from a former minority investor (a)	**6,726**	–
	43,131	71,304

(a) The balance is unsecured, bearing interest at 5.58% per annum and is repayable in 2005.

24. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement on the deferred tax assets in respect of tax losses during the year is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
At 1 January	**932**	979
Deferred taxation charged to the profit and loss account (see Note 6)	**–**	(47)
At 31 December	**932**	932

Deferred income tax assets are recognised for tax loss carried forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2004, the Group had unrecognised tax losses in Hong Kong of approximately HK$260,816,000 (2003: HK$359,717,000) to carry forward against future taxable income; these tax losses have no expiry date. In addition, the Group had unrecognised tax losses in the PRC of approximately HK$26,588,000 as at 31 December 2004 (2003: HK$16,489,000); these tax losses will expire within 5 years.

25. SHARE CAPITAL

	2004		2003	
	No. of Shares ('000)	**Amount HK$'000**	No. of Shares ('000)	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	**772,182**	**77,218**	772,182	77,218

25. SHARE CAPITAL *(cont'd)*

(a) Share options

On 29 May 2003, the Company adopted a share option scheme under which the Directors may, at their discretion, invite any person who has contributed or will contribute to the Group to take up options at a nominal consideration of HK$10 for each lot of share options granted. Details of the movement of the share options granted during the year are as follows:

			Number of share options ('000)			
Category of participant	**Exercise period of share options**	**Exercise price** HK$	**1 January 2004**	**Granted (i)**	**Lapsed**	**31 December 2004**
Directors	16 March 2004 to 15 March 2007	0.83	–	12,000	–	12,000
Employees	17 March 2004 to 26 April 2007 (ii)	0.83	–	9,100	(200)	8,900
			–	21,100	(200)	20,900

(i) Share options were firstly granted on 15 March 2004 under the share option scheme. Consideration received in respect of the share options granted during the year was HK$240.

(ii) The share options granted may be exercised during a three-year period commencing on the date of acceptance of the share options by each respective employee, and shall expire at the end of the three-year period.

26. RESERVES

(a) Group

Movements in the reserves during the year are as follows:

	Share premium HK$'000	Contributed surplus[c] HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003	409,738	601,415	769	(360)	–	(589,722)	421,840
Exchange differences on translation of the accounts of foreign subsidiaries	–	–	–	–	–	(492)	(492)
Surplus on revaluation of non-trading securities	–	–	–	11,880	–	–	11,880
Loss for the year	–	–	–	–	–	(35,739)	(35,739)
At 31 December 2003	409,738	601,415	769	11,520	–	(625,953)	397,489
Exchange differences on translation of the accounts of foreign subsidiaries	**–**	**–**	**–**	**–**	**–**	**2,247**	**2,247**
Surplus on revaluation of an investment property	**–**	**–**	**–**	**–**	**600**	**–**	**600**
Release of reserve upon liquidation of a subsidiary	**–**	**(1,003)**	**–**	**–**	**–**	**–**	**(1,003)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**84,614**	**84,614**
At 31 December 2004	**409,738**	**600,412**	**769**	**11,520**	**600**	**(539,092)**	**483,947**

26. RESERVES *(cont'd)*

(b) Company

Movements in the reserves during the year are as follows:

	Share premium HK$'000	Contributed surplus[c] HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003	409,738	575,220	769	(504,890)	480,837
Profit for the year	–	–	–	1,567	1,567
At 31 December 2003	409,738	575,220	769	(503,323)	482,404
Profit for the year	**–**	**–**	**–**	**21,278**	**21,278**
At 31 December 2004	**409,738**	**575,220**	**769**	**(482,045)**	**503,682**

(c) Contributed surplus mainly represents the excess of the fair value of shares in ONFEM Investments Limited acquired by the Company over the nominal value of the new shares of the Company issued pursuant to the Share Exchange Agreement dated 19 November 1991.

Under the Companies Act of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities, issued share capital and share premium account.

(d) At 31 December 2004, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$93,944,000 (2003: HK$72,666,000).

27. PENSION OBLIGATIONS

The Group participates in a defined contribution pension scheme and a Mandatory Provident Fund ("**MPF**") scheme for the eligible employees in Hong Kong.

A defined contribution pension scheme is provided to certain eligible employees ("**Employees**") employed by the Group. The Group is required to make monthly contributions to the scheme at 5% of the Employees' monthly salary. Employees under the defined contribution scheme is entitled to 100% of the employer's contributions and the accrued interest upon retirement or leaving the Group after completing ten years of service from the date of joining the Group, or at a scale of between 20% and 90% after completing at least two but less than ten years of service from the date of joining the Group.

Under the MPF scheme, each of the Hong Kong subsidiaries of the Group and those employees not eligible to join the defined contribution pension scheme make monthly contributions to the MPF at 5% of the employees' cash income as defined under the MPF legislation. Contributions by both of the Hong Kong subsidiaries and their employees are subject to a maximum of HK$1,000 per month and thereafter contributions are voluntary and are not subject to any limitation. The mandatory contribution under the MPF are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees. In additions to the mandatory contribution, employees are entitled to 100% of the employers' voluntary contributions to the fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon death or ceasing to be an employee due to total incapacity. Employees are also entitled to the employers' voluntary contributions to the fund plus investment earnings calculated at a scale of between 20% and 90% after completing a period of service of at least two but less than ten years.

The Group's contributions to the pension scheme and the MPF scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totalling approximately HK$61,000 (2003: HK$302,000) were utilised during the year and there were no unutilised forfeited contributions available as at 31 December 2004.

As stipulated by rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local government. The Group is required to contribute to the plan at a rate ranging from 5% to 22.5% of the basic salary of the PRC employees in addition to contributions by employees at a rate ranging from 5% to 7% of the basic salary as specified by the local government, and the Group has no further obligations for the actual payment of the pensions or post-retirement benefits beyond the annual contributions made.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before taxation to net cash (used in)/ generated from operations

	Note	2004 HK$'000	2003 HK$'000
Profit/(loss) before taxation		**85,591**	(37,194)
Interest income		**(2,383)**	(4,090)
Interest expense		**1,385**	4,860
Depreciation		**3,333**	3,496
Amortisation of goodwill and negative goodwill		**(3,954)**	–
(Gain)/loss on revaluation of investment properties		**(23,033)**	8,250
Impairment loss of fixed assets		**1,393**	1,282
(Gain)/loss on disposal of fixed assets		**(294)**	108
Gain on deconsolidation of subsidiaries	28(d)	**(78,707)**	(38,747)
Provision for impairment in value of other assets		**–**	525
Provision for properties under development		**25,000**	11,276
(Write-back of provision)/provision for inventory obsolescence		**(636)**	1,878
(Write-back of provision)/provision for bad and doubtful debts		**(9,295)**	2,000
Provision for gross amounts due from customers for contract work		**–**	1,573
Realised gain on disposal of trading securities		**–**	(5,474)
Unrealised gain on revaluation of trading securities		**(347)**	(347)
Write-back of provision for a bank guarantee		**(10,148)**	–
Dividend income from listed investments		**(499)**	(788)
Gain on assignment of benefit of debt by a former minority investor		**(3,051)**	–
Operating loss before working capital changes		**(15,645)**	(51,392)
(Increase)/decrease in retention receivables, non-current portion		**(272)**	2,881
Decrease in other assets		**22**	63
Increase in inventories		**(6,670)**	(3,029)
Decrease in amount due from a fellow subsidiary		**1**	79
Decrease in amount due from a minority investor		**37**	–
(Increase)/decrease in trade and other receivables		**(4,044)**	42,969
Decrease in gross amounts due from/to customers for contract work, net		**2,722**	1,626
Decrease in pledged deposits		**15,110**	35,936
Decrease in frozen deposits		**–**	7,017
Decrease in amount due to intermediate holding company		**–**	(3)
(Decrease)/increase in amounts due to minority investors		**(690)**	2,640
Decrease in trade and other payables		**(22,304)**	(6,045)
Increase/(decrease) in other liabilities		**649**	(554)
Exchange adjustments		**2,480**	(748)
Net cash (used in)/generated from operations		**(28,604)**	31,440

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(cont'd)*

(b) Acquisition of additional interest in a subsidiary

On 8 January 2004, the Group acquired the remaining 20% equity interest in ZOBHP at a cash consideration of approximately RMB12,589,000 (equivalent to approximately HK$12,088,000). As a result of the acquisition, ZOBHP has turned from an 80% owned subsidiary into a wholly owned subsidiary of the Company. The negative goodwill arising from the above acquisition of approximately HK$12,738,000 is amortised on a straight-line basis over the remaining weighted average useful life of non-monetary assets of 29 months.

(c) Acquisition of a subsidiary

	2004 HK$'000
Net liabilities acquired	
Fixed assets	88
Trade and other receivables	43,532
Cash and bank deposits	9,650
Trade and other payables	(52,844)
Gross amounts due to customers for contract work	(6,644)
Short-term bank loans	(8,955)
	(15,173)
Goodwill	20,275
	5,102
Satisfied by	
Cash	5,102

Goodwill arising on the acquisition of a subsidiary, SJQ, is amortised on a straight-line basis over the remaining operating period of SJQ of 46 months.

Analysis of the net cash inflow in respect of the acquisition of a subsidiary:

	2004 HK$'000
Cash and bank deposits acquired	9,650
Less: cash consideration	(5,102)
Net cash inflow in respect of the acquisition of a subsidiary	4,548

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(cont'd)*

(c) Acquisition of a subsidiary *(cont'd)*

SJQ contributed approximately HK$8,816,000 of turnover and approximately HK$470,000 of loss attributable to shareholders of the Group for the period between the date of acquisition (8 October 2004) and the balance sheet date.

(d) Deconsolidation of subsidiaries

	Note	**2004** **HK$'000**	2003 HK$'000
Net liabilities at the date of deconsolidation			
Fixed assets		**–**	3,376
Properties held for sale		**–**	2,709
Amounts due from minority investors		**–**	1,861
Trade and other receivables		**21,773**	9,851
Gross amounts due from customers for contract work		**1,019**	–
Pledged deposits		**–**	12,458
Cash and bank deposits		**323**	3,492
Amounts due to minority investors		**(1,843)**	(5,075)
Trade and other payables		**(55,612)**	(58,888)
Gross amounts due to customers for contract work		**(24,361)**	(4,389)
Taxation payable		**(17,968)**	(1,738)
Dividend payable		**(2,128)**	(1,836)
Short-term bank loans		**–**	(10,754)
Bank overdrafts		**(28,369)**	(11,801)
		(107,166)	(60,734)
Provision for bank guarantees		**–**	10,148
Settlement of liabilities for deconsolidated subsidiaries guaranteed by the Company	22(b)	**28,459**	11,839
Gain on deconsolidation of subsidiaries	28(a)	**(78,707)**	(38,747)

On 11 August 2004, the High Court of Hong Kong ordered Polycrown Engineering (Holdings) Limited ("**PEHL**"), a 51% owned subsidiary of the Company, to be wound up. Accordingly, the Group has not included PEHL and its subsidiaries in the consolidated accounts of the Group since 11 August 2004.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(cont'd)*

(d) Deconsolidation of subsidiaries *(cont'd)*

Analysis of net cash outflow in respect of the deconsolidation of subsidiaries

	2004 HK$'000	2003 HK$'000
Settlement of liabilities for deconsolidated subsidiaries	**(28,459)**	(11,839)
Cash and cash equivalents deconsolidated		
Cash and bank deposits	**(323)**	(3,492)
Bank overdrafts	**28,369**	11,801
	28,046	8,309
Net cash outflow in respect of the deconsolidation of subsidiaries	**(413)**	(3,530)

For the year ended 31 December 2004, the deconsolidated subsidiaries contributed approximately HK$3,641,000 (2003: HK$68,084,000) of turnover and approximately HK$1,689,000 (2003: HK$25,580,000) of loss attributable to shareholders of the Group.

(e) Analysis of changes in financing during the year

	Short-term borrowings (excluding bank overdrafts) HK$'000
At 1 January 2003	40,954
New borrowings	3,600
Repayment of borrowings	(199)
Transfer from amounts due to minority investors	950
Exchange differences	(288)
Deconsolidation of subsidiaries (see Note 28(d))	(10,754)
At 31 December 2003	34,263
New borrowings	**2,152**
Repayment of borrowings	**(3,845)**
Exchange differences	**448**
Acquisition of a subsidiary (see Note 28(c))	**8,955**
At 31 December 2004	**41,973**

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(cont'd)*

(f) Cash and cash equivalents

	2004 **HK$'000**	2003 HK$'000
Cash and bank deposits	**120,839**	199,288
Bank overdrafts, secured	**(1,158)**	(37,041)
	119,681	162,247

29. BANKING FACILITIES

The Group's aggregate banking facilities as at 31 December 2004 were approximately HK$50,262,000 (2003: HK$81,256,000), of which the unutilised facilities as at the same date amounted to approximately HK$13,295,000 (2003: HK$13,146,000). Securities for the facilities include:

(a) fixed deposits of the Group of approximately HK$38,100,000 (2003: HK$53,210,000) and of the Company of approximately HK$9,500,000 (2003: HK$25,096,000);

(b) an investment property with a carrying amount of approximately HK$215,000,000 (2003: HK$195,000,000);

(c) certain of the Group's inventories held under trust receipt loan arrangements; and

(d) corporate guarantees given by the Company and certain of its subsidiaries.

30. COMMITMENTS

(a) Capital commitments of the Group outstanding at 31 December 2004 were as follows:

	2004 HK$'000	2003 HK$'000
Contracted but not provided for – properties under development	**29,508**	145,814

The capital commitment as at 31 December 2003 included an amount of approximately HK$116,522,000 in respect of a construction contract with a main contractor, which is currently under a litigation proceeding. Based on the current status of such proceeding, the Directors are of the opinion that the Group is no longer committed to carry on the contract. The Group is considering to appoint a new main contractor as replacement to carry out the remaining works for the development project. The amount to be committed under this arrangement has yet to be determined.

At 31 December 2004, the Company did not have any outstanding capital commitments (2003: Nil).

(b) At 31 December 2004, the Group had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	2004 HK$'000	2003 HK$'000
Not later than one year	**3,202**	2,823
Later than one year and not later than five years	**3,202**	3,299
After five years	**3,216**	3,772
	9,620	9,894

At 31 December 2004, the Company did not have any operating lease commitments (2003: Nil).

30. COMMITMENTS (cont'd)

(c) The Group leases out investment properties under operating leases which generally run for an initial period of one to three years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

At 31 December 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2004	2003
	HK$'000	HK$'000
Not later than one year	**9,382**	9,621
Later than one year and not later than five years	**7,919**	8,828
	17,301	18,449

At 31 December 2004, the Company did not have any outstanding commitments for lease receipts (2003: Nil).

31. CONTINGENT LIABILITIES

At 31 December 2004, the Company had outstanding corporate guarantees provided to various banks in respect of banking facilities extended to certain existing subsidiaries amounting to approximately HK$21,600,000 (2003: HK$54,900,000).

32. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Group had the following material transactions and balances with related parties, which were carried out under normal commercial terms and in the ordinary and normal course of business of the Group:

	2004 **HK$'000**	2003 HK$'000
(a) Transactions with related parties		
Construction project management service income received from a related company	**8,009**	–
Rental expenses and license fees paid to fellow subsidiaries	**968**	857
(b) Balances with related parties		
Progress payment from a related company for construction project management services	**810**	–

33. ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company to be China Minmetals Corporation, a company incorporated in the PRC.

34. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 15 April 2005.

GROUP PROPERTIES

1. MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Lease term
ONFEM Tower, 29 Wyndham Street, Central, Hong Kong Inland Lot No. 1005	Commercial	Long
Flat B on Level 8 of Yi Cui Court, Crest Villa, Zhang Yang Road, Pu Dong, Shanghai, the PRC	Residential	Long
Flat B on 13th Floor, Willow Mansion, Harbour View Gardens, No. 22 Taikoo Wan Road, Taikoo Shing, Quarry Bay, Hong Kong	Residential	Long
Flat D on 19th Floor, Tai Yuen Court, No. 38 Tai Yuen Street, Wanchai, Hong Kong	Residential	Long
Unit 6 on 8th Floor of Block 2, Heng Fa Chuen, No. 100 Shing Tai Road, Hong Kong	Residential	Long
Unit 2603 on 26th Floor, Block Q, Kornhill, Nos. 6-8 Hong On Street, Quarry Bay, Hong Kong	Residential	Long

2. MAJOR PROPERTY UNDER DEVELOPMENT

Location	Stage of completion	Expected completion date	Intended use	Site area/gross floor area (square metre)	The Group's interest
At the junction of Haijing Road and Haizhou Road, Jida, Xiangzhou District, Zhuhai, Guangdong Province, the PRC	Substructure completed	December 2006	Residential and commercial	16,454/91,096	100%

FIVE YEAR FINANCIAL SUMMARY

	2004 HK$'000	2003 HK$'000	2002 HK$'000	2001 HK$'000	2000 HK$'000
Results					
Turnover	**86,605**	160,941	332,168	315,580	470,641
Operating profit/(loss)	**86,976**	(32,334)	(128,522)	(374,072)	22,810
Finance costs	**(1,385)**	(4,860)	(7,703)	(8,731)	(14,505)
Profit/(loss) before taxation	**85,591**	(37,194)	(136,225)	(382,803)	8,305
Taxation	**(977)**	(95)	(363)	(13,944)	(2,391)
Minority interests	**–**	1,550	(266)	23,013	5,611
Profit/(loss) attributable to shareholders	**84,614**	(35,739)	(136,854)	(373,734)	11,525
Assets and liabilities					
Non-current assets	**286,360**	252,196	259,105	315,494	483,099
Net current assets	**281,739**	259,698	280,249	362,599	610,791
Total assets less current liabilities	**568,099**	511,894	539,354	678,093	1,093,890
Non-current liabilities	**(3,317)**	(6,409)	(6,224)	(5,958)	(42,490)
Minority interests	**(3,617)**	(30,778)	(34,072)	(36,016)	(58,684)
	561,165	474,707	499,058	636,119	992,716
Share capital	**77,218**	77,218	77,218	77,218	77,218
Reserves	**483,947**	397,489	421,840	558,901	915,498
Shareholders' funds	**561,165**	474,707	499,058	636,119	992,716