



東方有色集團有限公司\*  
**ONFEM HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)  
Stock code : 230

# ONFEM HOLDINGS LIMITED

Interim Report

# 06

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## CORPORATE INFORMATION

### **Chairman & Non-executive Director**

ZHOU Zhongshu

### **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**

CHUNG Wing Yee

### **Auditors**

PricewaterhouseCoopers

22nd Floor, Prince's Building

Central, Hong Kong

### **Principal Banker**

Bank of China (Hong Kong) Limited

### **Principal Share Registrar**

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

### **Branch Share Registrar**

Computershare Hong Kong Investor Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

### **Registered Office**

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

### **Principal Place of Business in Hong Kong**

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### **Website**

<http://www.onfem.com>

## CHAIRMAN'S STATEMENT

### Business Review

During the period under review, ONFEM Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") has made important progress in its real estate development and project management business. The Group's wholly-owned Haitian Garden residential development project in Zhuhai, China (the "**Haitian Garden Project**") obtained planning permit and construction permit for the superstructure, the pre-requisites for presale which is expected to be launched at the beginning of 2007. In addition, the Group has secured a new residential development project in Nanjing, China (the "**Nanjing Project**") that enlarges the portfolio of the Group's real estate development projects.

Other business segments of the Group, namely Specialised Construction, Property Leasing, Manufacturing and Trading and Securities Investment and Trading, returned improved performance as a whole in the first half of 2006. We are generally pleased with the success of the strategy of consolidating our non-real estate development and related business, which helps stabilise the financial performance of the Group before our real estate development project portfolio begins to contribute to turnover and cash flow and we expect these business activities continue to show improvement as a whole for the full year of 2006 on a year-on-year basis.

### Outlook

In view of the regulatory measures on the property market recently imposed by the Chinese central government, it is anticipated that there would be a reduction in the supply of large size residential units in China over the next few years. Nevertheless, the development plan of the Haitian Garden Project, which offers large size residential units of over 90 square metres, is not subject to such measures as it was approved prior to the imposition of the relevant regulations. Accordingly, the expected decrease in supply of large size residential units in the Zhuhai area should have a positive impact on the marketing activities of the Haitian Garden Project. In this connection, and in spite of the possibility that the State Council may impose further macro-economic austerity measures as expected by many economic commentators to further cool down the property market, we remain cautiously optimistic on the prospect of the Haitian Garden Project to generating relatively sizeable turnover and cash flow for the Group in the near term.

China's National 11th Five Year Plan, which was adopted in 2006, aims at maintaining high GDP growth of around 7.5% per year and the doubling of 2000 nominal per capita GDP by the year 2010. Given the continuing strength of the economy and property market in China, we consider that the possible further appreciation of the Renminbi ("**RMB**") and the imposition of macro-economic cooling measures would help bring opportunities for the Group to secure attractive real estate development projects in China with long term prospects. Against this backdrop, we remain confident of our future as a real estate developer focused on the China market. Moving ahead, we will continue to expand our portfolio of real estate development projects in a prudent and selective manner in an effort to achieve steady improvement in the future performance of this core business of the Group.

Whilst the Group is striving for progress in its existing businesses, the management is also actively seeking other business opportunities in China, such as projects related to environmental and city planning, by leveraging on the advantages of being an overseas listed subsidiary of China Minmetals Corporation, a major state-owned conglomerate in China.

**Appreciation**

Lastly, I would like to take this opportunity to express my appreciation to our management team and staff for their hard work and contribution to the Group. I am also thankful to my fellow directors, business associates, bankers and shareholders for their continuous support.

**Zhou Zhongshu**

*Chairman*

Hong Kong, 28 August 2006

## MANAGEMENT DISCUSSION AND ANALYSIS

The consolidated turnover of the Group for the six months ended 30 June 2006 surged 124.5% year-on-year to HK\$176,314,000 (30 June 2005: HK\$78,534,000).

During the period under review, the Group's net profit was HK\$47,361,000 (30 June 2005: HK\$18,544,000). During the six-month periods ended 30 June 2006 and 2005, the Group recorded revaluation gains on investment properties of HK\$42,000,000 and HK\$14,701,000 respectively. Excluding these gains, the Group's net profit for the period would have increased by 39.5% to HK\$5,361,000 (30 June 2005: HK\$3,843,000).

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2006 (30 June 2005: Nil).

The table below sets out the Group's total turnover by business segments.

### Total turnover by business segments

	Six months ended 30 June				Year-on-year change %
	2006 HK\$'000	%	2005 HK\$'000	%	
Real Estate Development and Project Management	5,856	3.3	6,540	8.3	-10.5
Specialised Construction	128,692	73.0	39,883	50.8	+222.7
Property Leasing	6,834	3.9	5,761	7.3	+18.6
Manufacturing and Trading	29,144	16.5	25,957	33.1	+12.3
Securities Investment and Trading	5,788	3.3	393	0.5	+1,372.8
Total turnover	<u>176,314</u>	<u>100.0</u>	<u>78,534</u>	<u>100.0</u>	<u>+124.5</u>

### Real Estate Development and Project Management Business

During the six months ended 30 June 2006, the Group's real estate development and project management business recorded a turnover of HK\$5,856,000 (30 June 2005: HK\$6,540,000) and a segment profit of HK\$4,312,000 (30 June 2005: HK\$5,267,000) respectively.

In the first half of 2006, the Haitian Garden Project was in the construction phase and the Nanjing Project was in the design and planning stage. As a result, turnover of this business segment during the period was entirely derived from our project management services provided to the construction project of Guangzhou Tian He Jin Hai Building in Guangzhou, China ("Jin Hai Building").

#### Haitian Garden Project

After years of continuous effort in overcoming various difficulties and problems of the Haitian Garden Project, such as modification of the project's architectural design and re-appointment of the main contractor, we finally obtained the planning permit and the construction permit for the superstructure in the first half of 2006. Accordingly, the construction of Haitian Garden's superstructure has commenced. According to the terms of the main contract and current construction progress of the project, we expect to fulfil the conditions of applying for a presale permit by the end of 2006 and, once such permit is obtained, presale could be launched at the beginning of 2007.

***Haitian Garden Project (Cont'd)***

Based on our analysis of market conditions and the regulatory environment, and the advice of our professional consultants, we are positioning Haitian Garden as a top-end residential project in Zhuhai, China, as we believe maximum value can be realised from the project using this development strategy. Haitian Garden is a seafront property development with total gross floor area of approximately 85,000 square metres and all units are over 90 square metres in size. We have appointed a reputable firm of property agent to assist us in the marketing and sale activities for the project.

We will continue to proactively monitor construction work progress, exercise stringent quality and cost control and refine, if necessary, the marketing and sales strategies of the project so as to cope with prevailing macro-economic and local market conditions as well as the regulatory environment in Zhuhai and China with an effort to ensure that the sale of the project can generate the expected results within our time schedule. We believe Haitian Garden will be our major turnover and cash flow contributor in the coming year.

***Nanjing Project***

Our Nanjing Project involves a piece of land located at the Science Park on Xue Si Lu East and Xue Qi Lu North of the Jiang Ning district in Nanjing, China (the “**Land**”). The Land occupies approximately 310,000 square metres and upon completion of its development, the estimated gross floor area will be approximately 238,000 square metres.

As at 30 June 2006, the remaining condition precedent in relation to the formation of the joint venture company (the joint venture company would be owned as to 71% by the Group and 29% by the partner of the joint venture company (the “**JV Partner**”)) to undertake the property development on the Land has not yet been fulfilled. We are in the process of finalising certain terms regarding the pledging of some properties from the JV Partner. It is expected that the formation of such joint venture company will be completed soon.

In parallel with the finalisation of joint venture arrangements, we have been working closely with the JV Partner to carry out preparatory works for the property development on the Land which include the requisition of the relevant land use right certificates and formulating project plan. In May 2006, we paid up the final installment of the land premium for the Land.

The Nanjing Project is in its early stage and has progressed as scheduled. We expect this project to become the major contributor of the financial results of this business segment subsequent to the sale of Haitian Garden.

***Project Management Services***

The on-site construction works of Jin Hai Building had been completed on schedule during the period under review and the specified inspection tests were in progress. In this connection, our service contract with respect to the provision of construction project management services to Jin Hai Building is approaching an end. The basic service fees and incentive fees (the “**Total Fees**”) in relation to this service contract were higher weighted towards the early stages of the contract period and consequently, the fee income recognised by the Group for the six months ended 30 June 2006 was comparatively lower than the corresponding preceding period.

We had already reported a substantial amount of the Total Fees and expect to recognise the balance by the end of 2006. As we are approaching the end of this service contract, we intend to gradually free up, as appropriate, resources currently engaged in this project to support other areas of our real estate development and project management business including the sourcing of new business opportunities and the implementation of our other projects.

### Specialised Construction Business

Our specialised construction business operates through Shanghai Jin Qiao Condo Decoration Engineering Company Limited (“**SJQ**”) which is engaged in the design and installation of curtain walls in China, and Enful Holdings Limited and its subsidiaries (collectively, “**Enful**”), which is engaged in the manufacture and installation of timber doors and plaster projects in China and Hong Kong. This business segment, as a whole, achieved greatly improved results in the first half of this year.

Segment turnover was up 222.7% on a year-on-year basis to reach HK\$128,692,000 (30 June 2005: HK\$39,883,000) and segment profit was HK\$1,742,000 (30 June 2005: HK\$1,695,000 loss – before the one-off gain on disposal of property, plant and equipment of HK\$6,170,000 as a result of the compensation received from the local government in China for factory relocation).

During the period under review, SJQ recorded a turnover of HK\$124,193,000 as compared with HK\$38,567,000 in the corresponding period last year, a year-on-year increase of 222.0%. With a relatively strong market position in Shanghai, SJQ is able to accumulate a sizeable contract backlog which supports its continued growth. Based on current contracts on hand and expected new contract awards, SJQ expects its financial performance to show steady and continuous improvement in 2006.

The interruption to Enful's business caused by shareholding and management restructuring and the relocation of the timber door manufacturing factory in China had come to an end in the first half of 2005. Enful has since devoted its efforts to developing new business and enhancing internal management. Enful's turnover surged 241.9% year-on-year to HK\$4,499,000 (30 June 2005: HK\$1,316,000) during the period under review, of which 95.3% and 4.7% were generated from Hong Kong and China respectively. Despite such improvement, business volume was not large enough to cover fixed operating costs. We are committed to reviving Enful's business and, as one of the measures to speed up its business turnaround, we took steps to strengthen Enful's management structure by adding several new management members in the first half of 2006. We will closely monitor Enful's progress and implement further appropriate measures as needed.

### Property Leasing Business

Our property leasing business, primarily in relation to the office space in ONFEM Tower (the “**Tower**”), Central, Hong Kong, returned a satisfactory growth in rental income during the period under review. The average occupancy rate of the Tower for the first half of the year maintained at a high level of 97% (corresponding period last year: 90%).

In the first half of 2006, turnover of this segment was HK\$6,834,000 as compared with HK\$5,761,000 in the corresponding period last year representing a year-on-year increase of 18.6%. Segment profit before revaluation gain increased 18.2% year-on-year to HK\$5,733,000 (30 June 2005: HK\$4,849,000). The satisfactory results were mainly due to a higher average occupancy rate and the increase in average rental rate regarding the leasing of the Tower.

Given the current upturn in Hong Kong's economy, we expect that there will be continuing buoyant demand for office space in Central. Furthermore, we plan to implement appropriate maintenance and renovation works for the Tower in the second half of the year so as to enhance the Tower's quality and rental value and bring in a steady inflow of profit and cash flow to the Group.



### **Manufacturing and Trading Business**

Our manufacturing and trading business operates through Jaeger Oil & Chemical Holdings Limited and its subsidiaries (collectively, “**Jaeger**”), which is engaged in the manufacture and distribution of industrial lubricants in China and Hong Kong. In the first half of 2006, Jaeger recorded a turnover of HK\$29,144,000 (30 June 2005: HK\$25,957,000) representing an increase of 12.3% on a year-on-year basis. 80.9% of the turnover was derived from China while the remaining 19.1% was generated from Hong Kong and the Southeast Asian region. For the period under review, Jaeger recorded a moderate segment profit of HK\$2,221,000 (30 June 2005: HK\$422,000).

The improvement in profit margin was due to the increase in selling prices, the improvement in product mix to include more profitable products through technical advancement and innovation, the increase in production efficiency by introducing new production technology from the United Kingdom, and the implementation of more stringent cost control.

During the period under review, Jaeger increased its average product selling prices by approximately 20% in order to compensate for the increase in raw material costs caused mainly by higher oil prices. Although the increase in prices reduced demand for Jaeger’s products from existing customers, Jaeger successfully received orders from new customers and developed new markets such as the south-western part of China in the first half of the year.

Jaeger is continuously seeking to further improve production efficiency as well as to expand sales in enhancing economy of scale.

### **Securities Investment and Trading Business**

During the first half of 2006, turnover of this business segment was HK\$5,788,000 (30 June 2005: HK\$393,000) and segment profit was HK\$2,907,000 (30 June 2005: HK\$1,321,000), which were mainly derived from the disposal of financial assets.

### **Business Strategy**

In the first half of 2006, the Group, in line with its business strategy, had expanded its real estate development portfolio in China, and consolidated its other businesses to help stabilise its financial performance before the real estate development projects begin to contribute to turnover and cash flow. In particular, the Group had:

- secured a new real estate development project in Nanjing, China;
- recruited several new members for the management team of Enful so as to speed up its business turnaround;
- actively sought business opportunities in China with good potential by leveraging on the advantage of being an overseas listed subsidiary of China Minmetals Corporation, a major state-owned conglomerate in China; and
- continued to exercise stringent control on operating expenses.

Going forward, the Group will continue to implement persistently its strategy to consolidate the non-real estate development and related business and explore business opportunities that are commercially and financially viable in both the real estate development area and other appropriate industries with the aim of improving the future performance of the Group.

### **Liquidity and Financial Resources**

During the period under review, the Group derived its funds mainly from cashflows generated from business operations as well as borrowings from banks and a fellow subsidiary. As at 30 June 2006, cash and bank deposits (excluding pledged deposits) of the Group amounted to HK\$95,003,000 (31 December 2005: HK\$143,347,000), of which 77.8%, 19.4% and 2.8% (31 December 2005: 50.9%, 18.1% and 31.0%) were denominated in RMB, Hong Kong dollars and United States ("US") dollars respectively.

To finance the Group's real estate development projects, the consolidated borrowings, comprising borrowings from banks and a fellow subsidiary, increased to HK\$201,465,000 as at 30 June 2006 (31 December 2005: HK\$63,094,000). Gearing ratio (total borrowings over total equity) of the Group rose from 10.5% at 31 December 2005 to 29.8%.

As at 30 June 2006, borrowings denominated in RMB amounted to RMB129,000,000 (31 December 2005: RMB64,500,000), while the remaining balances of HK\$76,180,000 (31 December 2005: HK\$1,103,000) were bank borrowings denominated in Hong Kong dollars. All of the Group's borrowings were payable within one year and on a floating interest rate basis. Finance costs for the six months ended 30 June 2006 amounted to HK\$454,000 (30 June 2005: HK\$254,000). The unutilised banking facilities of the Group amounted to HK\$98,871,000 as at 30 June 2006 (31 December 2005: HK\$176,011,000).

Capital commitments of the Group as at 30 June 2006 amounted to HK\$120,154,000 (31 December 2005: HK\$275,890,000). These commitments related to properties under development and are to be financed by internal funds and borrowings.

### **Exposure to Fluctuation in Exchange Rates**

Most of the transactions of the Group were denominated in Hong Kong dollars, RMB and US dollars, and accordingly, the Group has RMB exposure in large while the currency risk exposure to US dollars was considered to be minimal. Given that the expected appreciation of RMB would have positive impact on the Group's assets in China and income generated from China, the Group had not implemented hedging or other alternative measures during the six months ended 30 June 2006. During the period under review, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

### **Charges on Group Assets**

As at 30 June 2006, the Group pledged certain investment properties, and leasehold land and buildings with carrying amounts of HK\$278,299,000 (31 December 2005: HK\$236,299,000) and HK\$8,641,000 (31 December 2005: HK\$8,753,000) respectively and fixed bank deposits of HK\$47,473,000 (31 December 2005: HK\$5,000,000) as securities for the Group's general banking facilities.

### Contingent Liabilities

As at 30 June 2006, the Company had executed corporate guarantees to various banks in respect of banking facilities extended to various subsidiaries amounting to HK\$194,983,000 (31 December 2005: HK\$194,400,000). As at 30 June 2006, the facilities utilised amounted to HK\$96,112,000 (31 December 2005: HK\$18,528,000).

### Employees

As at 30 June 2006, the Group employed 464 staff, including the Directors (30 June 2005: 385 staff). The total remunerations and benefits of the Directors and staff of the Group during the six months ended 30 June 2006 were HK\$17,106,000 (30 June 2005: HK\$13,755,000). The Group adopts a remuneration policy in line with market practice.

## INFORMATION RELATING TO SHARE OPTION SCHEME

On 29 May 2003, the Company adopted a share option scheme (the “**Scheme**”) which is in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Details of the movements of share options during the six months ended 30 June 2006 are as follows:

Category of participant	Date of grant	Exercise period	Exercise price HK\$	Number of share options			
				As at 1 January 2006	Lapsed during the period	Exercised during the period	As at 30 June 2006
(i) Directors	15 March 2004	16 March 2004 to 15 March 2007	0.83	12,000,000	4,000,000	–	8,000,000
(ii) Employees of the Group	15 March 2004	17 March 2004 to 26 April 2007 *	0.83	8,100,000	–	–	8,100,000

Details of the outstanding share options held by each Director are set out in the section entitled “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” below.

A summary of the principal terms of the Scheme has been set out in the 2005 annual report of the Company. The terms of the Scheme have never been amended since its adoption.

\* 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.

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

As at 30 June 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), which have been notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in 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 in the Listing Rules (the "Model Code"), 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

Name of Director	Date of grant of share options	Date of acceptance of share options	Exercise period of share options	Exercise price of share options HK\$	Number of share options outstanding as at 30 June 2006
Wang Xingdong	15 March 2004	16 March 2004	16 March 2004 to 15 March 2007	0.83	3,000,000
Yan Xichuan	15 March 2004	16 March 2004	16 March 2004 to 15 March 2007	0.83	2,000,000
Qian Wenchao	15 March 2004	16 March 2004	16 March 2004 to 15 March 2007	0.83	1,500,000
He Xiaoli	15 March 2004	16 March 2004	16 March 2004 to 15 March 2007	0.83	1,500,000

Save as disclosed above, as at 30 June 2006, none of the Directors or 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 six months ended 30 June 2006, save as disclosed above, none of the Directors or 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).

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2006, 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 at 30 June 2006
China Minmetals Corporation (“ <b>China Minmetals</b> ”) <i>(Note)</i>	416,585,852	53.95%
China Minmetals H.K. (Holdings) Limited <i>(Note)</i>	416,585,852	53.95%
June Glory International Limited (“ <b>June Glory</b> ”)	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.

## CORPORATE GOVERNANCE

### Audit Committee

The audit committee of the Company comprises three Independent Non-executive Directors namely, Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria. The audit committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2006, which has also been reviewed by the Company’s auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants.

### Code on Corporate Governance Practices

In the opinion of the Directors, throughout the six months ended 30 June 2006, the Company had complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for the deviation from code provision A.4.2 as a result of the compliance with the legislation of the place of incorporation of the Company.

Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders of the Company at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the private company act 1991 under which the Company was incorporated in Bermuda, the Chairman and the Managing Director of the Company are exempt from the rotational retirement requirements at annual general meetings. In this connection, every Director, including those appointed for a specific term, should be subject to retirement by rotation at the annual general meeting at least once every three years pursuant to the provisions of the Bye-laws of the Company with the exception of the Chairman and the Managing Director. For those Directors who were appointed either by the board of Directors or shareholders of the Company to fill a casual vacancy or as an additional Director during the year, they shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

**Code on Corporate Governance Practices (Cont'd)**

Accordingly, all Directors, except for the Chairman and the Managing Director of the Company, have been subject to retirement by rotation in accordance with the Bye-laws of the Company at the annual general meeting for 2006.

**Code for Securities Transactions by Directors**

The Company has 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" (the "**Rules for Securities Transactions**") on no less exacting terms than the required standard of the Model Code. A designated committee (the "**Designated Committee**") comprising two members has 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 receive 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 another member of the Designated Committee and receives a dated written acknowledgement before any such dealing.

The Company has made specific enquiries with all Directors and has received a written confirmation from each Director confirming that he/she has complied with the Rules for Securities Transactions throughout the six months ended 30 June 2006.

**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 six months ended 30 June 2006.

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

On 16 August 2005, ONFEM Finance Limited ("**OFL**"), Enful Engineering Limited ("**EEL**"), Jaeger Oil & Chemical Company Limited ("**JOC**") and Virtyre Limited ("**Virtyre**"), all being wholly owned subsidiaries of the Company, accepted the offers from a bank for the grant of various general banking facilities to the extent of an aggregate amount of HK\$156,135,000 (the "**Facilities**") pursuant to the facility letters all dated 28 July 2005 issued to OFL, EEL, JOC and Virtyre respectively (the "**Facility Letters**"). The Facilities have no specific date of expiry.

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

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

By order of the board  
**Wang Xingdong**  
*Managing Director*

Hong Kong, 28 August 2006

## UNAUDITED INTERIM RESULTS

The board of directors (“**Directors**”) of ONFEM Holdings Limited (the “**Company**”) herewith presents the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2006 together with the comparative figures of the corresponding period in 2005. The interim condensed consolidated financial information has not been audited, but has been reviewed by the auditors of the Company, PricewaterhouseCoopers, in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

### Condensed Consolidated Income Statement

For the six months ended 30 June 2006

	Note	(Unaudited)	
		Six months ended 30 June 2006 HK\$'000	2005 HK\$'000
<b>Turnover</b>	5	<b>176,314</b>	78,534
Cost of sales		<b>(142,302)</b>	(54,651)
<b>Gross profit</b>		<b>34,012</b>	23,883
Other income	6	<b>1,440</b>	7,592
Selling and distribution costs		<b>(5,911)</b>	(5,539)
Administrative expenses		<b>(22,360)</b>	(21,267)
Other operating expenses		<b>(1,199)</b>	(1,013)
Revaluation gain on investment properties	11(a)	<b>42,000</b>	14,701
<b>Operating profit</b>		<b>47,982</b>	18,357
Finance costs		<b>(454)</b>	(254)
<b>Profit before tax</b>	7	<b>47,528</b>	18,103
Income tax	8	<b>(167)</b>	441
<b>Profit for the period</b>		<b>47,361</b>	18,544
<b>Attributable to:</b>			
Equity holders of the Company		<b>47,361</b>	18,544
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b> (expressed in HK cents)			
– basic and diluted	9	<b>6.13</b>	2.40

The notes on pages 19 to 26 are an integral part of this condensed consolidated financial information.

**Condensed Consolidated Balance Sheet***As at 30 June 2006*

		(Unaudited)	
		30 June	31 December
		2006	2005
	Note	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	15,307	15,346
Investment properties	11	281,899	239,899
Goodwill	11	19,586	19,383
Available-for-sale financial assets		55,440	29,340
Deferred tax assets		932	932
Retention receivables		8,863	4,539
Other assets		333	349
		<u>382,360</u>	<u>309,788</u>
<b>Current assets</b>			
Inventories	12	383,374	214,796
Trade and other receivables	13	159,919	161,982
Gross amounts due from customers for contract work		492	744
Financial assets at fair value through profit or loss		–	2,778
Pledged deposits		47,473	5,000
Cash and bank deposits		95,003	143,347
		<u>686,261</u>	<u>528,647</u>
<b>Total assets</b>		<u>1,068,621</u>	<u>838,435</u>



**Condensed Consolidated Balance Sheet (Cont'd)***As at 30 June 2006*

		(Unaudited) 30 June 2006 HK\$'000	31 December 2005 HK\$'000
	Note		
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		77,218	77,218
Reserves		598,708	522,816
<b>Total equity</b>	14	<b>675,926</b>	600,034
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		105	105
Other liabilities		6,185	7,220
		<b>6,290</b>	7,325
<b>Current liabilities</b>			
Trade and other payables	15	173,165	157,600
Current tax payable		11,775	10,382
Short-term borrowings	16	201,465	63,094
		<b>386,405</b>	231,076
<b>Total liabilities</b>		<b>392,695</b>	238,401
<b>Total equity and liabilities</b>		<b>1,068,621</b>	838,435
<b>Net current assets</b>		<b>299,856</b>	297,571
<b>Total assets less current liabilities</b>		<b>682,216</b>	607,359

The notes on pages 19 to 26 are an integral part of this condensed consolidated financial information.

**Condensed Consolidated Statement of Changes in Equity***For the six months ended 30 June 2006*

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
<b>Balance at 1 January</b>	<b>600,034</b>	568,527
Revaluation surplus of available-for-sale financial assets	<b>26,100</b>	720
Currency translation adjustments	<b>2,431</b>	26
Net increase in equity before profit for the period	<b>28,531</b>	746
Profit for the period, attributable to equity holders of the Company	<b>47,361</b>	18,544
Total recognised income for the period, attributable to equity holders of the Company	<b>75,892</b>	19,290
<b>Balance at 30 June</b>	<b>675,926</b>	587,817

The notes on pages 19 to 26 are an integral part of this condensed consolidated financial information.

**Condensed Consolidated Cash Flow Statement***For the six months ended 30 June 2006*

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Net cash used in operating activities	(182,142)	(9,559)
Net cash (used in)/generated from investing activities	(398)	4,795
Net cash generated from/(used in) financing activities	135,251	(6,946)
<b>Net decrease in cash and cash equivalents</b>	<b>(47,289)</b>	<b>(11,710)</b>
Cash and cash equivalents at beginning of period	142,244	119,681
<b>Cash and cash equivalents at end of period</b>	<b>94,955</b>	<b>107,971</b>
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank deposits	95,003	108,505
Bank overdrafts	(48)	(534)
	<b>94,955</b>	<b>107,971</b>

The notes on pages 19 to 26 are an integral part of this condensed consolidated financial information.

## Notes to the Condensed Consolidated Financial Information

### 1. Organisation and operations

The Group is principally engaged in real estate development and project management, specialised construction, property leasing, manufacturing and trading, and securities investment and trading businesses. The Group's businesses participate in two principal economic environments. Hong Kong and Macau, and the People's Republic of China (other than Hong Kong and Macau) ("China") are the major markets for all the Group's businesses, with a small portion of its income derived from other countries.

The Company is a limited liability company incorporated in Bermuda and an investment holding company. The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This condensed consolidated financial information is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. This condensed consolidated financial information was approved for issue by the board of Directors on 28 August 2006.

### 2. Basis of preparation and accounting policies

This condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA and should be read in conjunction with the financial statements for the year ended 31 December 2005.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those set out in the financial statements for the year ended 31 December 2005.

In 2006, the Group adopted the following amendments to standards and new interpretation which are relevant to its operations.

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the amendments to HKASs 19, 21, 39 and HKFRS 4, and the new HK(IFRIC)-Int 4 did not result in substantial changes to the Group's accounting policies.

### 3. Financial risk factors and management

The Group is exposed to foreign exchange, credit, liquidity and interest rate risks arising in its ordinary course of business. These risks are managed by the Group's financial management policies and practices as disclosed in the financial statements for the year ended 31 December 2005 to minimise potential adverse effects on the Group's financial performance.

### 4. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except for the change in the estimated value of the investment properties as disclosed in Note 11(a), in preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those applied to the financial statements for the year ended 31 December 2005.

## Notes to the Condensed Consolidated Financial Information (Cont'd)

### 5. Segment information

#### Primary reporting format – business segments

The Group categorises its businesses into the following segments:

Real estate development and project management:	Development of residential and commercial properties, as well as provision of construction project management services.
Specialised construction:	Design, installation and selling of curtain walls and aluminium windows, 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.
Manufacturing and trading:	Manufacturing and trading of lubricant oil and chemical products.
Securities investment and trading:	Trading and investment of securities.

	(Unaudited)											
	Six months ended 30 June										Total	
	Real estate development and project management		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		2006	2005
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	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 revenue	5,856	6,540	128,692	39,883	6,834	5,761	29,144	25,957	5,788	393	176,314	78,534
Segment results	4,312	5,267	1,742	4,475	47,733(a)	19,550	2,221	422	2,907	1,321	58,915	31,035
Unallocated corporate expenses, net											(10,933)	(12,678)
Operating profit											47,982	18,357
Finance costs											(454)	(254)
Income tax											(167)	441
Profit for the period											47,361	18,544

(a) Included a revaluation gain on investment properties of approximately HK\$42,000,000 (30 June 2005: HK\$14,701,000) (see Note 11(a)).

### 6. Other income

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	–	6,093
Unrealised gain on financial assets at fair value through profit or loss	–	335
Interest income	794	822
Others	646	342
	1,440	7,592

**Notes to the Condensed Consolidated Financial Information (Cont'd)****7. Profit before tax**

Profit before tax is stated after charging/(crediting) the following:

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest on borrowings	4,175	779
Less: borrowing costs capitalised into properties under development	(3,721)	(525)
	454	254
Depreciation	1,240	1,459
Less: depreciation capitalised into properties under development	(73)	(111)
	1,167	1,348
Amortisation of land lease premium	1,050	904
Less: amortisation capitalised into properties under development	(1,050)	(904)
	-	-
Employee benefit expense, including Directors' emoluments	17,106	13,755
Provision/(write-back of provision) for inventory obsolescence	106	(101)
Cost of inventories sold	15,808	16,001
Provision/(write-back of provision) for impairment of receivables	4,691	(1,444)
Net foreign exchange (gain)/loss	(516)	203
Other operating expenses arising from investment properties that generate rental income	1,132	1,003
Other operating expenses arising from investment properties that did not generate rental income	9	10
	9	10

**8. Income tax**

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the period (30 June 2005: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	-	-
– Overseas taxation	167	(393)
Deferred tax income	-	(48)
	167	(441)
Income tax charges/(credit)	167	(441)

**Notes to the Condensed Consolidated Financial Information (Cont'd)****9. Earnings per share**

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
Profit attributable to equity holders of the Company (HK\$'000)	47,361	18,544
Weighted average number of ordinary shares in issue ('000)	772,182	772,182
Basic earnings per share (HK cents)	<u>6.13</u>	<u>2.40</u>

There were no dilutive potential shares in existence during the period.

**10. Dividends**

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2006 (30 June 2005: Nil).

**11. Capital expenditure**

	(Unaudited)		
	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Goodwill HK\$'000
Opening net book amount at 1 January 2006	15,346	239,899	19,383
Additions	1,194	-	-
Revaluation gain (a)	-	42,000	-
Disposals	(5)	-	-
Depreciation	(1,240)	-	-
Exchange differences	12	-	203
Closing net book amount at 30 June 2006	<u>15,307</u>	<u>281,899</u>	<u>19,586</u>

- (a) The Group has estimated the fair value of investment properties as at 30 June 2006 with reference to the current prices in active market for similar properties in the same location and condition subject to similar leases and other contracts. A revaluation gain of approximately HK\$42,000,000 was recorded during the period.

## Notes to the Condensed Consolidated Financial Information (Cont'd)

### 12. Inventories

	(Unaudited) 30 June 2006 HK\$'000	31 December 2005 HK\$'000
Manufacturing and trading stocks	8,332	6,093
Properties under development (a)	375,042	208,703
	<b>383,374</b>	<b>214,796</b>

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

(a) Properties under development

	(Unaudited) 30 June 2006 HK\$'000	31 December 2005 HK\$'000
Land use rights	231,684	77,342
Construction in progress	143,358	131,361
	<b>375,042</b>	<b>208,703</b>

### 13. Trade and other receivables

Included in trade and other receivables are trade and contract receivables of which the aging analysis is as follows:

	(Unaudited) 30 June 2006 HK\$'000	31 December 2005 HK\$'000
0 – 30 days	52,870	40,924
31 – 60 days	13,957	16,710
61 – 90 days	9,490	6,898
Over 90 days	38,922	34,027
	<b>115,239</b>	98,559
Less: provision for impairment of receivables	<b>(20,567)</b>	<b>(15,389)</b>
	<b>94,672</b>	<b>83,170</b>

For trade receivables, the normal credit period granted by the Group to the customers is from 30 days to 60 days from the date of invoice. The credit period for contract receivables varies in accordance with the terms of contracts.



## Notes to the Condensed Consolidated Financial Information (Cont'd)

## 14. Capital and reserves

	(Unaudited)							Total equity HK\$'000
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Fair value reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
Balance at 1 January 2005	77,218	409,738	600,412	769	11,520	646	(531,776)	568,527
Revaluation surplus of available-for-sale financial assets	-	-	-	-	720	-	-	720
Currency translation adjustments	-	-	-	-	-	26	-	26
Profit for the period	-	-	-	-	-	-	18,544	18,544
Balance at 30 June 2005	77,218	409,738	600,412	769	12,240	672	(513,232)	587,817
Balance at 1 January 2006	77,218	409,738	600,412	769	12,420	3,104	(503,627)	600,034
Revaluation surplus of available-for-sale financial assets	-	-	-	-	26,100	-	-	26,100
Currency translation adjustments	-	-	-	-	-	2,431	-	2,431
Profit for the period	-	-	-	-	-	-	47,361	47,361
Balance at 30 June 2006	77,218	409,738	600,412	769	38,520	5,535	(456,266)	675,926

During the period, options to subscribe for 4,000,000 ordinary shares of the Company were lapsed (30 June 2005: 600,000), leaving options to subscribe for a total of 16,100,000 ordinary shares of the Company outstanding as at 30 June 2006 (31 December 2005: 20,100,000).

## 15. Trade and other payables

Included in trade and other payables are trade, bills and contract payables of which the aging analysis is as follows:

	(Unaudited)	
	30 June 2006 HK\$'000	31 December 2005 HK\$'000
0 – 30 days	40,456	25,617
31 – 60 days	12,468	10,161
61 – 90 days	5,587	3,821
Over 90 days	60,689	60,195
	119,200	99,794

## Notes to the Condensed Consolidated Financial Information (Cont'd)

### 16. Short-term borrowings

	(Unaudited) 30 June 2006 HK\$'000	31 December 2005 HK\$'000
Bank overdrafts, secured	48	1,103
Bank term-loans, secured (a)	121,779	13,936
Loans from a fellow subsidiary, secured (a)	79,638	48,055
	<u>201,465</u>	<u>63,094</u>

(a) Movements in secured loans during the period are analysed as follows:

	Bank term-loans HK\$'000	Loans from a fellow subsidiary HK\$'000
Balance at 1 January 2006	13,936	48,055
New loans	116,923	79,638
Repayment of loans	(9,226)	(48,560)
Exchange differences	146	505
Balance at 30 June 2006	<u>121,779</u>	<u>79,638</u>

### 17. Capital commitments

	(Unaudited) 30 June 2006 HK\$'000	31 December 2005 HK\$'000
Contracted but not provided for in respect of properties under development	<u>120,154</u>	<u>275,890</u>

### 18. Related party transactions

The Directors consider the immediate holding company to be June Glory International Limited, a company incorporated in the British Virgin Islands; the intermediate holding company to be China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), a company incorporated in Hong Kong; and the ultimate holding company to be China Minmetals Corporation ("China Minmetals"), a company incorporated in China.

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

(a) Transactions with related parties

	(Unaudited)	
	Six months ended 30 June 2006 HK\$'000	2005 HK\$'000
Construction project management service revenue from a fellow subsidiary (i)	5,856	6,540
Specialised construction revenue from related companies (ii)	50,477	10,479
Rental expenses and licence fees paid to fellow subsidiaries (iii)	677	677
Loan interest costs to a fellow subsidiary (iv)	2,267	-
Loan interest costs to related companies (ii)	1,551	-
Payment to a local government in China for acquisition of land use right (ii)	<u>155,392</u>	<u>-</u>

## Notes to the Condensed Consolidated Financial Information (Cont'd)

## 18. Related party transactions (Cont'd)

(b) Balances with related parties

	(Unaudited) 30 June 2006 HK\$'000	31 December 2005 HK\$'000
Contract receivable from a fellow subsidiary for construction project management services (i)	8,449	2,562
Contract and other receivables from related companies for specialised construction contracts (ii)	33,870	15,901
Contract payable to a related company for a real estate development project (ii)	34,891	34,528
Contract and retention payables to a related company for a specialised construction contract (ii)	6,306	22,540
Short-term loans from a fellow subsidiary (iv)	79,638	48,055
Loan interest payable to a fellow subsidiary (iv)	136	84
Short-term loans from related companies (ii)	103,326	–
Loan interest payables to related companies (ii)	268	–

(c) Key management compensation

	(Unaudited) Six months ended 30 June 2006 HK\$'000	2005 HK\$'000
Salaries and short-term employee benefits	2,516	2,872
Pension costs – defined contribution plans	30	30
Provision for long service payment	15	8
	2,561	2,910

Notes:

- (i) Details of the construction project management agreement dated 29 July 2004 entered into between a subsidiary and a fellow subsidiary of the Company have been published in the Company's announcement dated 29 July 2004. The transaction constituted a connected transaction as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").
- (ii) As China Minmetals is a state-owned enterprise, the government of China (the "Chinese Government") is considered as the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to China Minmetals, directly or indirectly controlled by the Chinese Government are also considered as related parties of the Group. Since many state-controlled enterprises have multi-layered and diversified corporate structure and the structure may also change over time as a result of transfers and privatisation programmes, to balance the cost and benefit in making disclosure, the Group has only disclosed material transactions with such state-controlled enterprises.
- (iii) The transactions constituted continuing connected transactions as defined in the Listing Rules.
- (iv) The short-term loans from a fellow subsidiary made on 11 January 2006 and 20 March 2006, for working capital purposes to a subsidiary of the Company for a term of 1 year bearing interest at the rate of 6.138% per annum, is secured by corporate guarantees from Minmetals HK. The transactions constituted connected transactions as defined in the Listing Rules.