THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in ONFEM Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

MAJOR TRANSACTION

PROPOSED ACQUISITIONS OF A 90.39% AND A 9.61% EQUITY INTERESTS RESPECTIVELY IN SHANGHAI JIN QIAO CONDO DECORATION ENGINEERING COMPANY LIMITED

Financial Adviser to ONFEM Holdings Limited

CENTURION CORPORATE FINANCE LIMITED

25 June 2004

CONTENTS

In this circular, except where the context otherwise requires, the following expressions have the following meanings:

"1st Acquisition"	the acquisition of the 90.39% equity interest in SJQ by the Purchaser from CEC for an aggregate consideration of HK$4,000,000 pursuant to the 1st Sale and Purchase Agreement
"2nd Acquisition"	the acquisition of the remaining 9.61% equity interest in SJQ by the Purchaser from Huayuan for an aggregate consideration of RMB1,170,000 (or approximately HK$1,100,000) pursuant to the 2nd Sale and Purchase Agreement
"1st and 2nd Acquisitions"	1st Acquisition and 2nd Acquisition
"Board"	the board of Directors (including the independent non-executive Directors) of the Company
"Business Day"	a day (other than Saturday and Sunday) on which banks are generally open for business in Hong Kong
"CEC"	Condo Engineering (China) Limited (in liquidation), a company incorporated in Hong Kong and put under liquidation pursuant to an Order made by the High Court of Hong Kong on 8 September 2003, is a 52% indirect non wholly-owned subsidiary of the Company as it is wholly-owned by its parent company, Wellstep Management Limited, an indirect 52% non wholly-owned subsidiary of the Company (the remaining 48% is indirectly owned by three individuals who are independent third parties)
"Centurion"	Centurion Corporate Finance Limited, a deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities as defined in the SFO, and the financial adviser to the Company in respect of the 1st and 2nd Acquisitions
"Company"	ONFEM Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
"Completion"	the completion of the 1st and 2nd Sale and Purchase Agreements

"China Minmetals"	China Mimmetals Corporation, a State-owned enterprise in the PRC, managed by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the holding company of Minmetals HK and June Glory
"Directors"	the directors of the Company
"Encumbrance"	mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huayuan"	Shanghai Huayuan Aite Curtain Wall Company Limited (上海華源愛特幕牆工程有限公司), a company incorporated in the PRC and holding a 9.61% equity interest in SJQ prior to the completion of the 2nd Sale and Purchase Agreement. Based on public records, the owners of Shanghai Huayuan Aite Curtain Wall Company Limited are Shanghai Worldbest Industry Development Company Limited (上海華源企業發展股份有限公司), Shanghai Wen Chang Properties Company Limited (上海文昌置業有限公司) and Shanghai Aite Industrial Company Limited (上海愛特實業有限公司), which (together with their respective ultimate beneficial shareholders) are independent third parties and are not connected with the Directors, chief executive, substantial Shareholders of the Company or any of its subsidiaries or an associate of any of them
"June Glory"	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of Minmetals HK and currently holding approximately 53.95% of the issued share capital of the Company. Minmetals HK, in turn, is a wholly-owned subsidiary of China Minmetals

"Latest Practicable Date"	23 June 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Liquidators"	Messrs. Desmond Chung Seng Chiong and Roderick John Sutton, each of Ferrier Hodgson Limited, as joint and several liquidators of CEC pursuant to an Order made by the High Court of Hong Kong on 24 December 2003
"1st Long Stop Date"	30 September 2004 (or such other date as may be agreed between the Purchaser, CEC and the Liquidators), being the last date on which the conditions set out in the 1st Sale and Purchase Agreement are to be fulfilled
"2nd Long Stop Date"	the last date on which the conditions set out in the 2nd Sale and Purchase Agreement are to be fulfilled, being 30 September 2004, which may be extended to: (a) such other date as the Purchaser may designate if the non fulfillment of the conditions is attributable to Huayuan; or (b) 30 December 2004 if non fulfillment of the conditions is attributable to the Purchaser; or (c) such other date as may be agreed between the Purchaser and Huayuan, if non fulfillment of the conditions is attributable to both parties
"Minmetals HK"	China Minmetals H.K. (Holdings) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Minmetals
"PRC"	People's Republic of China (and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"PRC Business Day"	a day (other than Saturday and Sunday) on which banks are generally open for business in the PRC

"Purchaser"	Sino Wisdom Enterprises Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC from time to time
"1st Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 2 June 2004 entered into between the Purchaser, CEC and the Liquidators in relation to the acquisition of a 90.39% equity interest in SJQ
"2nd Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 10 June 2004 entered into between the Purchaser and Huayuan in relation to the acquisition of a 9.61% equity interest in SJQ
"1st and 2nd Sale and Purchase Agreements"	1st Sale and Purchase Agreement and 2nd Sale and Purchase Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"SJQ"	Shanghai Jin Qiao Condo Decoration Engineering Company Limited (上海金橋瑞和裝飾工程有限公司), a company incorporated in the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States Dollars, the lawful currency of the United States of America from time to time

For the purpose of this circular, conversion of US$ into HK$ is based on the exchange rate of US$1.00 = HK$7.80 and conversion of RMB into HK$ is based on the exchange rate of RMB1.00 = HK$0.94. The conversions are for the purpose of illustration only and do not constitute a representation that any amount in US$, RMB or HK$ has been, could have been or may be converted at the above rate or any other rates at all.

ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

Executive Directors:
Mr. LIN Xizhong, *Chairman*
Mr. WANG Xingdong, *Managing Director*
Mr. YAN Xichuan, *Deputy Managing Director*
Mr. QIAN Wenchao
Ms. HE Xiaoli

Independent non-executive Directors:
Mr. LAM Chun, Daniel
Mr. Selwyn MAR
Ms. TAM Wai Chu, Maria

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal place of business in Hong Kong:
18th Floor
China Minmetals Tower
79 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

25 June 2004

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

PROPOSED ACQUISITIONS OF A 90.39% AND A 9.61% EQUITY INTERESTS RESPECTIVELY IN SHANGHAI JIN QIAO CONDO DECORATION ENGINEERING COMPANY LIMITED

INTRODUCTION

On 2 June 2004, the Company announced that the Purchaser, a wholly-owned subsidiary of the Company, entered into the 1st Sale and Purchase Agreement with CEC and the Liquidators to purchase a 90.39% equity interest in SJQ.

The 1st Acquisition contemplated under the 1st Sale and Purchase Agreement constitutes a major transaction under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders. No Shareholder is required to abstain from voting in respect of the 1st Acquisition.

On 10 June 2004, the Purchaser entered into the 2nd Sale and Purchase Agreement with Huayuan to purchase the remaining 9.61% equity interest in SJQ for an aggregate consideration of RMB1,170,000 (or approximately HK$1,100,000).

The 2nd Acquisition, on a stand alone basis, does not constitute a major transaction under Chapter 14 of the Listing Rules. The Stock Exchange has aggregated the 2nd Acquisition and the 1st Acquisition as they involve the acquisition of an interest in one particular company pursuant to rules 14.22 and 14.23 of the Listing Rules. Consequently, the 2nd Acquisition, on an aggregated basis, constitutes a major transaction and is therefore also subject to the approval of the Shareholders. No Shareholder is required to abstain from voting in respect of the 2nd Acquisition.

June Glory, being the controlling Shareholder, has no interest in each of the 1st and 2nd Acquisitions other than its interest as a Shareholder holding approximately 53.95% of the issued Shares, has given a written approval to the Company approving each of the 1st and 2nd Acquisitions. Therefore, the Company has applied to the Stock Exchange for a waiver in respect of the requirement to convene a special general meeting to approve the 1st and 2nd Sale and Purchase Agreements on the basis that the written approvals have already been obtained from the controlling Shareholder. The Stock Exchange confirmed that such written Shareholder's approvals be accepted in lieu of a general meeting on 23 June 2004. As such, this circular is despatched to you as Shareholders for the purpose of providing you with further details of, among other things, the 1st and 2nd Acquisitions and background information on SJQ only.

THE SALE AND PURCHASE AGREEMENTS

1st Sale and Purchase Agreement

Date

2 June 2004

Parties

Vendor:	Condo Engineering (China) Limited (in liquidation), a company incorporated in Hong Kong and is an indirect non wholly-owned subsidiary of the Company, which has been put under liquidation pursuant to an Order made by the High Court of Hong Kong on 8 September 2003

Liquidators:	Messrs. Desmond Chung Seng Chiong and Roderick John Sutton, each of Ferrier Hodgson Limited, as joint and several liquidators of CEC pursuant to an Order made by the High Court of Hong Kong on 24 December 2003
Purchaser:	Sino Wisdom Enterprises Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company

2nd Sale and Purchase Agreement

Date

10 June 2004

Parties

Vendor:	Shanghai Huayuan Aite Curtain Wall Company Limited（上海華源愛特幕牆工程有限公司）, a company incorporated in the PRC and an independent third party holding a 9.61% equity interest in SJQ prior to the completion of the 2nd Sale and Purchase Agreement
Purchaser:	Sino Wisdom Enterprises Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company

Subject matters of the 1st and 2nd Sale and Purchase Agreements

Pursuant to the 1st Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase and CEC conditionally agreed to sell, free from any Encumbrance, the 90.39% equity interest in the registered capital of SJQ, representing the entire interest held by CEC in SJQ, for an aggregate consideration of HK$4,000,000.

Pursuant to the 2nd Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase and Huayuan conditionally agreed to sell, free from any Encumbrance or third parties rights, the 9.61% equity interest in the registered capital of SJQ, representing the entire interest held by Huayuan in SJQ, for an aggregate consideration of RMB1,170,000 (or approximately HK$1,100,000).

Considerations

The aggregate consideration for the 1st Acquisition is HK$4,000,000, which will be entirely satisfied in cash funded by internal resources of the Group.

The consideration is the bid price offered by the Company (and accepted by the Liquidators) with reference to the registered capital of US$1,844,000 (or approximately HK$14,383,000) contributed by CEC, the underlying financial position and business prospects of SJQ.

The RMB1,170,000 (or approximately HK$1,100,000) consideration for the 2nd Acquisition was arrived at after arm's length negotiation with Huayuan with reference to economic interests as represented by the 9.61% equity interest in SJQ and compensation in relation to the resignation of the two existing directors of SJQ nominated by Huayuan upon completion of the 2nd Sale and Purchase Agreement. SJQ currently has five directors (two of whom were nominated by Huayuan and three of whom were nominated by CEC) and the Group has nominated three new directors to join SJQ's board for the purpose of replacing most, if not all, of the existing directors who are expected to resign in due course. The consideration of RMB1,170,000 (or approximately HK$1,100,000) will be entirely satisfied in cash funded by internal resources of the Group.

The Board considers that the terms and conditions of the 1st and 2nd Acquisitions respectively are fair and reasonable and are in the interests of the Company and the Shareholders as a whole as the 1st and 2nd Acquisitions will allow the Group to better manage SJQ as a wholly-owned subsidiary going forward. For more details on SJQ's business prospects, please refer to the section headed "INFORMATION OF SJQ" below.

Payment terms

Payment terms of the aggregate consideration of the 1st Acquisition under the 1st Sale and Purchase Agreement are as follows:

(i) HK$2,000,000 paid upon the signing of the 1st Sale and Purchase Agreement, which is 2 June 2004, as an initial deposit which shall be refunded to the Company if any of the conditions set out in the 1st Sale and Purchase Agreement is not fulfilled on the 1st Long Stop Date and consequently, the 1st Sale and Purchase Agreement shall forthwith cease and terminate; and

(ii) HK$2,000,000 upon completion of the 1st Sale and Purchase Agreement.

Payment terms of the aggregate consideration of the 2nd Acquisition under the 2nd Sale and Purchase Agreement are as follows:—

1. RMB300,000 (or approximately HK$282,000) has been paid within three PRC Business Days following the entering into of the 2nd Sale and Purchase Agreement, which is 10 June 2004;

2. RMB400,000 (or approximately HK$376,000) is payable within three PRC Business Days following the successful registration of the transfer of 9.61% equity interest in SJQ with the State Administration For Industry and Commerce; and

3. RMB470,000 (or approximately HK$442,000) is payable within three PRC Business Days following the satisfaction of all the conditions set out in the 2nd Sale and Purchase Agreement.

Shareholders should note that the basis of the consideration for the 2nd Acquisition, which is the result of arm's length negotiation, is different from the basis of the consideration for the 1st Acquisition resulting from the bidding process organised by the Liquidators.

Conditions of the 1st and 2nd Sale and Purchase Agreements

The 1st Sale and Purchase Agreement is conditional upon:

(a) obtaining by the Purchaser with the co-operation of CEC/Liquidators all necessary approvals and relevant certificates (including without limitation the new approval certificate and the new business license of SJQ, in which the scope of business remains unchanged) from the PRC governmental authorities in relation to the transfer of the 90.39% equity interest in SJQ by CEC to the Purchaser; and

(b) compliance with all regulatory requirements in Hong Kong and the PRC by the parties to the 1st Sale and Purchase Agreement, including without limitation the various disclosure and Shareholders' approval requirements under the Listing Rules and/or regulations of any recognised stock exchange.

In the event that any of the conditions above is not fulfilled by the 1st Long Stop Date, the 1st Sale and Purchase Agreement shall forthwith cease and terminate and shall not have any force or effect other than and subject to the liability, if any, of any party thereto in respect of any antecedent breaches of the terms thereof.

The 2nd Sale and Purchase Agreement is subject to the fulfillment of certain conditions before the 2nd Long Stop Date, which include, among other things, obtaining the relevant statutory/regulatory approvals in the PRC, filings and compliance with regulatory requirements and requirements under the Listing Rules. The respective completions of the 1st Acquisition and the 2nd Acquisition are not conditional on the completion of the other as each of the 1st and 2nd Acquisitions is an independent transaction. The Purchaser has the sole discretion to waive any of such conditions except conditions in respect of compliance with regulatory requirements under the Listing Rules.

Completion

Completion of the 1st and 2nd Sale and Purchase Agreements shall take place within three Business Days and three PRC Business Days respectively, following fulfillment of the respective conditions of the 1st and 2nd Sale and Purchase Agreements.

INFORMATION OF THE VENDORS

CEC, the vendor under the 1st Sale and Purchase Agreement, is a 52% indirect non wholly-owned subsidiary of the Company and prior to the appointment of the Liquidators, was principally engaged in the design, supply and installation of curtain walls, metal roofing, architectural cladding and aluminium window systems in Hong Kong and the PRC. It also acted as an investment holding company for the Company. Following the appointment of the Liquidators, CEC is not in a position to pursue any material business operations. CEC is currently put into liquidation by an Order made by the High Court of Hong Kong on 8 September 2003.

Huayuan, the vendor under the 2nd Sale and Purchase Agreement, is a company incorporated in the PRC with limited liability and principally engaged in installation of curtain walls in the PRC. It is an independent third party not connected with the Directors, chief executive, substantial Shareholders of the Company or any of its subsidiaries or an associate of any of them.

INFORMATION OF SJQ

SJQ was established in the PRC on 5 August 1993 as a Sino-foreign co-operative joint venture by CEC and a PRC party for a period of 15 years. The PRC joint venture partner was subsequently changed to Huayuan in October 1999. Each of the PRC party, Huayuan and their respective beneficial shareholder(s) is an independent third party not connected with the Directors, chief executive, substantial Shareholders of the Company or any of its subsidiaries or an associate of any of them. As at the Latest Practicable Date, SJQ had a registered capital of US$2,040,000 (or approximately HK$15,912,000).

Pursuant to the joint venture agreement entered into in October 1999, CEC contributed US$1,844,000 (or approximately HK$14,383,000), representing 90.39% of the registered capital of SJQ, whilst Huayuan contributed US$196,000 (or approximately HK$1,529,000), representing 9.61% of the registered capital of SJQ.

The principal business of SJQ is the trading, installation and design of aluminium window cases and curtain walls, which obtained a First Class Qualification Certificate and a Grade A Design Certificate in Curtain Wall Construction in the PRC in 1997 and 2001 respectively. SJQ's current operations and projects are mainly in the eastern part of the PRC and in particular, Shanghai. Following Completion, SJQ will become a wholly-owned subsidiary of the Company and such change in status is not expected to have any impact on the prospect of SJQ.

As set out in SJQ's audited balance sheet as at 31 December 2003, total current assets of SJQ amounted to approximately RMB53,270,000 (or approximately HK$50,074,000) and on the liability side, total current liabilities amounted to approximately RMB70,392,000 (or approximately HK$66,168,000). This mis-match of total current assets and total current liabilities serves to highlight the difficulty faced by SJQ and it is expected that post Completion, SJQ would be better supported financially and managed as a wholly-owned subsidiary of the Company.

As at 31 December 2003, SJQ's bank borrowings amounted to RMB10,000,000 (or approximately HK$9,400,000) and whilst there are no funding requirements for capital expenditure commitments and authorisations at present, the Group will be in a better position to review such funding requirements following Completion, if the then SJQ's business development would require such funding. SJQ currently does not have any use of financial instruments for hedging or other purposes and its bank borrowings are mainly in RMB, as its revenue is also in RMB.

As at the Latest Practicable Date, SJQ's value of contracts on hand totaling approximately RMB166,000,000 (or approximately HK$156,000,000). The Board believes that post Completion, such order book status could be better improved as SJQ will become a wholly-owned subsidiary of the Company and any financial assistance to SJQ then will not have any implications under the Listing Rules.

SJQ does not presently have any significant investments and did not have any material acquisitions and disposals of subsidiaries and associated companies in the course of the financial year ended 31 December 2003.

SJQ does not have any segmental breakdown in business as it is solely engaged in the trading, installation and design of aluminium window cases and curtain walls in the PRC and all related assets of SJQ are located in the PRC. SJQ has a total of approximately 50 employees as at the Latest Practicable Date and it currently does not have any share option schemes.

SJQ's audited net loss before and after taxation and extraordinary items for the year ended 31 December 2002 were both approximately RMB28,707,000 (or approximately HK$26,985,000). For the year ended 31 December 2003, SJQ's audited net loss before and after taxation and extraordinary items were both approximately RMB3,929,000 (or approximately HK$3,693,000). The decrease in such net losses for the year ended 31 December 2003 was mainly due to improved profit margins for its overall operations. SJQ's audited net assets as at 31 December 2003 amounted to a deficit of approximately RMB16,721,000 (or approximately HK$15,717,000).

SHAREHOLDING STRUCTURE OF SJQ

The table below sets out the shareholding structure of SJQ before and immediately after the Completion:

	Before Completion	**Immediately after Completion**
	Shareholding percentage	**Shareholding percentage**
CEC*	90.39%*	—
Purchaser	—	100.00%
Huayuan	9.61%	—
	100.00%	100.00%

(* *Note:* CEC is a 52.00% indirect non wholly-owned subsidiary of the Company and this 90.39% interest in SJQ represents such shareholding directly owned by CEC only and not the beneficial interest of approximately 47.00% indirectly owned by the Company prior to Completion)

REASONS FOR THE ACQUISITIONS

The Company is an investment holding company incorporated in Bermuda and the principal activities of the Group include (i) manufacturing and trading of industrial lubricant products and doors and timber products; (ii) specialised construction contracting for electrical and mechanical engineering projects and construction and environmental protection projects; and (iii) property development and leasing (in both the PRC and Hong Kong).

SJQ is one of a few joint venture companies in Shanghai, the PRC which are granted top grade certificates for both the design and installation of external walls for buildings in the PRC. After the Order made by the High Court of Hong Kong in putting CEC under liquidation, SJQ, whilst still a subsidiary of the Group, its financial accounts were no longer consolidated into the consolidated accounts of the Group given the liquidation status of its parent company, CEC.

Upon Completion, the Company will have acquired both board control and an equity interest of 100% in the registered capital of SJQ and as such, SJQ's financial accounts will, once again, be consolidated into the consolidated accounts of the Group.

The Board believes that the 1st and 2nd Acquisitions are in the interests of the Company and in line with the Group's overall business objective as they will (i) enable the Group to further expand its specialised construction contracting business in the PRC via SJQ in order to enhance the Group's overall profitability, after the Group has had a chance to improve the management of SJQ post Completion; and (ii) allow the Group to grasp the considerable business opportunities as presented by the construction market in the PRC including opportunities arising from the Beijing Olympics 2008 and the Shanghai World Expo 2010.

FINANCIAL EFFECTS OF THE ACQUISITIONS

SJQ's audited net profit after taxation for the year ended 31 December 2001 was approximately RMB4,728,000 (or approximately HK$4,444,000). This level of profitability was not maintained for the subsequent two years ended 31 December 2003. The Board is of the view that SJQ's past mode of operation was partly responsible for such poor performance, namely the complication of financial support to SJQ as a non wholly-owned subsidiary of the Company and the co-management structure with minority shareholder. The Board is confident that following Completion, SJQ will be better managed and supported as a wholly-owned subsidiary and under the management of directors nominated by the Group, with a view to generating both profit and cash flow for the Group.

Net asset value effect

As at 31 December 2003, the audited consolidated net assets of the Group amounted to approximately HK$474.7 million. Based on the Unaudited Proforma Consolidated Statement Of Assets And Liabilities Of The Enlarged Group (as defined in Appendix II to this circular, after consolidating the balance sheet of SJQ on a pro forma basis), the pro forma consolidated and unaudited net assets of the Enlarged Group as at 31 December 2003 would be approximately HK$481.7 million, an increase of approximately 1.5%.

Earnings effect

The Group reported an audited consolidated net loss of approximately HK$35.7 million for the year ended 31 December 2003. For the reasons set out above under the section headed "REASONS FOR THE ACQUISITIONS", given the future prospects of SJQ in the PRC's construction market, in particular the considerable business opportunities arising from the Beijing Olympics 2008 and the Shanghai World Expo 2010, the Board is optimistic that the Acquisitions would benefit the overall results of the Enlarged Group going forward.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activity of the Company is investment holding and the principal activities of the Company's principal subsidiaries are set out in the section above headed "REASONS FOR THE ACQUISITIONS".

For the year ended 31 December 2003, the audited consolidated turnover of the Group declined from approximately HK$332.2 million in year 2002 to approximately HK$160.9 million. The Group recorded an audited net loss of approximately HK$136.9 million and HK$35.7 million for the two years ended 31 December 2002 and 2003 respectively.

The decline in the Group's turnover for the year ended 31 December 2003 was mainly due to (i) the deconsolidation of two of the Group's subsidiaries, namely CEC and Condo Curtain Wall Company Limited, both were put under liquidation in 2003; and (ii) a decline in the overall turnover of the Group's other construction and engineering businesses. The decline in the Group's net loss was attributable to a combination of reasons, namely the successful stringent cost control measures introduced during 2003 and the gain on deconsolidation of the aforesaid two subsidiaries of the Group which were put under liquidation. For details, please refer to Appendix III to this circular.

On 15 October 2003, China Minmetals, through its indirect wholly-owned subsidiary June Glory, became the ultimate beneficial and controlling Shareholder of the Company. With more than fifty years of history, China Minmetals is a conglomerate and named as one of the State-owned pillar enterprises, which is under the direct management of the State-owned Assets Supervision and Administration Commission of the State Council.

Going forward, the Group will leverage on China Minmetals' background and use Hong Kong as its base to expand its core businesses into the PRC. The Group aims to focus on property development as its principal business which is to be supplemented by the specialised construction contracting business and with high technology investment as an ancillary business. The Group will continue to enhance its competitiveness through stringent cost controls at all levels of its operating subsidiaries so that the Group's operations as a whole will return to profitability and as a result, Shareholder value would be further enhanced.

SHAREHOLDERS' APPROVAL

The 1st Acquisition constitutes a major transaction under Chapter 14 of the Listing Rules as the revenue ratio of SJQ attributable to the 1st Acquisition is in excess of the 25% threshold as set out under rule 14.08 of the Listing Rules. The 2nd Acquisition, on a stand alone basis, does not constitute a major transaction under Chapter 14 of the Listing Rules. However, the Stock Exchange has aggregated the 2nd Acquisition and the 1st Acquisition as they involve the acquisition of an interest in one particular company pursuant to rules 14.22 and 14.23 of the Listing Rules. As such, each of the 1st and 2nd Acquisitions is subject to the approval of the Shareholders in a special general meeting of the Company. As far as the Directors are aware, no Shareholder is interested in each of the 1st and 2nd Acquisitions (other than its interest held in the Company) and therefore, no Shareholder is required to abstain from voting.

June Glory, being the controlling Shareholder holding 416,585,852 Shares, has given a written approval to the Company approving each of the 1st and 2nd Acquisitions. Therefore, the Company has applied to the Stock Exchange for a waiver in respect of the requirement to convene a special general meeting to approve each of the 1st and 2nd Sale and Purchase Agreements on the basis that written approvals have already been obtained from the controlling Shareholder. The Stock Exchange confirmed that such written Shareholder's approvals be accepted in lieu of a general meeting on 23 June 2004.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
On behalf of the Board of
ONFEM Holdings Limited
Wang Xingdong
Managing Director

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants of SJQ, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

25 June 2004

The Directors
ONFEM Holdings Limited
Shanghai Jin Qiao Condo Decoration Engineering Company Limited

Dear Sirs,

We set out below our report on the financial information relating to Shanghai Jin Qiao Condo Decoration Engineering Company Limited ("SJQ") for inclusion in the circular of ONFEM Holdings Limited ("ONFEM Holdings") dated 25 June 2004 in connection with the proposed acquisitions of 90.39% and 9.61% equity interests in SJQ by Sino Wisdom Enterprises Limited, a wholly-owned subsidiary of ONFEM Holdings, pursuant to the sale and purchase agreements dated 2 June 2004 (the "1st Acquisition") and 10 June 2004 (the "2nd Acquisition") respectively, between Sino Wisdom Enterprises Limited, Condo Engineering (China) Limited (in liquidation) and the liquidators of Condo Engineering (China) Limited (in liquidation) in respect of the 1st Acquisition and Sino Wisdom Enterprises Limited and Shanghai Huayuan Aite Curtain Wall Company Limited in respect of the 2nd Acquisition.

SJQ was established in the People's Republic of China (the "PRC") on 5 August 1993 as a Sino-foreign cooperative joint venture with an operating period of 15 years extending to 2008. SJQ has adopted 31 December as its financial year-end date and its management accounts were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises ("PRC GAAP").

Audited accounts in accordance with PRC GAAP have been prepared for each of the three years ended 31 December 2001, 2002 and 2003 (the "Relevant Periods"). Auditors for the Relevant Periods were Deloitte Touche Tohmatsu, PricewaterhouseCoopers Zhong Tian CPAs Limited Company and Shanghai Dalong Certified Public Accountants for the years ended 31 December 2001, 2002 and 2003, respectively.

We have examined the audited accounts of SJQ for the Relevant Periods and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The financial information as set out in sections I to III ("Financial Information") below has been prepared based on the audited accounts of SJQ and in accordance with accounting principles generally accepted in Hong Kong, after making such adjustments as are appropriate. The directors of SJQ are responsible for preparing these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of SJQ are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of SJQ as at 31 December 2001, 2002 and 2003 and of the results and cash flows of SJQ for the Relevant Periods.

We draw attention to Section I note 2(a) to the accompanying Financial Information which explains that the accounts of SJQ have been prepared on the going concern basis on the assumption that, upon the completion of the 1st Acquisition, ONFEM Holdings will provide continued financial support to SJQ to meet its obligations as and when they fall due.

(I) ACCOUNTS

Profit and Loss Accounts

		Year ended 31 December		
		2003	**2002**	**2001**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*3*	114,901	46,049	94,894
Cost of sales		(95,278)	(56,115)	(67,627)
Gross profit/(loss)		19,623	(10,066)	27,267
Other revenues	*3*	992	1,904	598
Administrative expenses		(12,506)	(20,147)	(22,415)
Provision for amount due from an investor	*4*	(10,700)	—	—
Other income		163	558	782
Other operating expenses		(422)	(192)	(115)
Operating (loss)/ profit	*5*	(2,850)	(27,943)	6,117
Finance costs	*6*	(1,079)	(764)	(1,111)
(Loss)/profit before taxation		(3,929)	(28,707)	5,006
Taxation	*7*	—	—	(278)
(Loss)/profit for the year		(3,929)	(28,707)	4,728
Dividend	*8*	—	—	—

Balance Sheets

		As at 31 December		
		2003	**2002**	**2001**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Fixed assets	*11*	—	—	2,793
Retention receivables		401	5,482	1,304
		401	5,482	4,097
Current assets				
Amounts due from investors	*12*	12,442	25,801	22,819
Trade and other receivables	*13*	30,064	12,123	31,182
Gross amounts due from customers for contract work	*14*	7,856	2,666	1,693
Cash and bank deposits	*15*	2,908	14,576	8,831
		53,270	55,166	64,525
Current liabilities				
Amount due to intermediate holding company	*16*	—	17,784	—
Amount due to a fellow subsidiary	*16*	—	7,217	8,053
Amount due to an investor	*12*	2,700	2,420	—
Trade and other payables	*17*	56,445	34,313	22,452
Gross amounts due to customers for contract work	*14*	1,247	1,706	3,924
Taxation payable		—	—	278
Short-term borrowings	*18*	10,000	10,000	18,000
		70,392	73,440	52,707
Net current (liabilities)/assets		(17,122)	(18,274)	11,818
Total assets less current liabilities		(16,721)	(12,792)	15,915
Financed by:				
Capital — issued and fully paid		14,770	14,770	14,770
Reserves	*19*	(31,491)	(27,562)	1,145
(Capital deficiencies)/investors' funds		(16,721)	(12,792)	15,915

Statements of Changes in Equity

	Year ended 31 December		
	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
Total equity as at 1 January	(12,792)	15,915	11,187
(Loss)/profit for the year	(3,929)	(28,707)	4,728
Total equity as at 31 December	(16,721)	(12,792)	15,915

Cash Flow Statements

		Year ended 31 December		
		2003	**2002**	**2001**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from/ (used in) operations	*21(a)*	834	(4,531)	13,582
Interest paid		(1,079)	(764)	(1,111)
PRC income tax paid		—	(278)	—
Net cash (used in)/generated from operating activities		(245)	(5,573)	12,471
Cash flows from investing activities				
Purchase of fixed assets		(707)	(80)	(690)
Proceeds from disposal of fixed assets		65	—	170
Interest received		108	30	198
Net cash used in investing activities		(534)	(50)	(322)
Cash flows from financing activities	*21(b)*			
New bank borrowings		—	22,000	57,000
Repayment of bank borrowings		—	(30,000)	(64,000)
New borrowings from intermediate holding company		32,640	17,784	—
Repayment of borrowings from intermediate holding company		(43,809)	—	—
Decrease in amount due to a fellow subsidiary		—	(836)	(42)
Increase in amount due to an investor		280	2,420	—
Net cash (used in)/generated from financing activities		(10,889)	11,368	(7,042)
(Decrease)/increase in cash and cash equivalents		(11,668)	5,745	5,107
Cash and cash equivalents at 1 January		14,576	8,831	3,724
Cash and cash equivalents at 31 December	*21(c)*	2,908	14,576	8,831

(II) NOTES TO THE ACCOUNTS

1 Organisation and operations

Shanghai Jin Qiao Condo Decoration Engineering Company Limited ("SJQ") was established in the People's Republic of China (the "PRC") on 5 August 1993 as a Sino-foreign cooperative joint venture by Condo Engineering (China) Limited (in liquidation) ("CEC"), a company incorporated in Hong Kong, and a PRC party with an operating period of 15 years extending to 2008. The PRC joint venture partner was subsequently changed to Shanghai Huayuan Aite Curtain Wall Company Limited ("Huayuan"), a company incorporated in the PRC.

At 31 December 2003, SJQ had a registered capital of US$2,040,000. Pursuant to a revised joint venture agreement entered into in October 1999, CEC contributed US$1,844,000, representing 90.39% of the registered capital of SJQ, whilst Huayuan contributed US$196,000, representing 9.61% of the registered capital of SJQ.

On 2 June 2004 and 10 June 2004, Sino Wisdom Enterprises Limited, a company incorporated in Hong Kong, signed sale and purchase agreements with CEC, the liquidators of CEC and Huayuan to acquire 90.39% and 9.61% equity interests in SJQ respectively.

The principal activities of SJQ are the trading, installation and design of aluminium window cases and curtain walls in the PRC.

2 Principal accounting policies

(a) Basis of preparation

The accounts of SJQ have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

For the year ended 31 December 2003, SJQ reported a loss of approximately RMB3,929,000. As at 31 December 2003, SJQ had a net working capital deficiency of approximately RMB17,122,000. Despite the above, the directors are of the opinion that SJQ will carry on as a going concern because ONFEM Holdings Limited, a company incorporated in Bermuda and intermediate holding company of Sino Wisdom Enterprises Limited, has agreed, subject to the completion of the acquisitions of SJQ, to provide continued financial support to SJQ to meet its obligations as and when they fall due. Accordingly, the financial statements have been prepared on the going concern basis.

(b) Revenue recognition

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

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

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

(i) Depreciation

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 improvements	Over the remaining period of the leases
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

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

(ii) 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.

The gain or loss on disposal of a fixed asset 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.

(d) 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.

(e) 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 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. SJQ uses the percentage of completion method to determine the appropriate amount of revenues 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 revenues, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised for 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.

(f) 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 and bank overdrafts.

(g) 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.

(h) 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 SJQ. 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, it 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 SJQ.

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.

(i) Employee benefits

(i) Employee leave entitlements

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

(ii) Retirement obligations

SJQ participates in defined contribution retirement scheme organised by the local government in the PRC. The local government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the scheme. The retirement scheme is generally funded by payments from employees and by SJQ.

(j) 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.

(k) 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.

(l) 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.

(m) Segment reporting

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

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

3 Turnover, revenue and segment information

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
Turnover			
Construction contracts	114,901	46,049	94,894
Other revenues			
Interest income from bank deposits	108	30	198
Others	884	1,874	400
	992	1,904	598
Total revenues	115,893	47,953	95,492

Segment information

No analysis of segmental information by business or geographical segments is presented as SJQ is solely engaged in the trading, installation and design of aluminium window cases and curtain walls in the PRC. All related assets of SJQ are located in the PRC.

4 Provision for amount due from an investor

This represents an amount due from CEC which was provided for as a result of CEC being put under liquidation pursuant to an Order made by the High Court of Hong Kong during the year ended 31 December 2003.

5 Operating (loss)/profit

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

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
Operating lease rentals in respect of land and buildings	878	1,548	1,664
Auditors' remuneration	7	117	104
Exchange (gain)/loss, net	(131)	323	(6)
Gain on disposal of fixed assets	(65)	—	(127)
Depreciation on fixed assets	121	825	892
Impairment loss of fixed assets	586	2,048	—
Staff costs (excluding directors' emoluments) *(Note 9)*	3,196	3,481	3,996
Retirement scheme contributions, net of forfeited contributions	164	251	190
(Write-back of)/provision for bad and doubtful debts	(26)	4,982	5,805
Provision for gross amounts due from customers for contract work	4,744	—	—

6 Finance costs

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings			
Wholly repayable within five years	521	636	1,111
Loans from intermediate holding company			
Wholly repayable within five years	558	128	—
	1,079	764	1,111

7 Taxation

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

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
PRC income tax	—	—	278

SJQ is located and registered in Shanghai Pudong area and is subject to PRC income tax at a preferential rate of 15%.

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

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before taxation	(3,929)	(28,707)	5,006
Calculated at a taxation rate of 15%	(589)	(4,306)	751
Utilisation of prior year unrecognised tax losses	—	—	(473)
Unrecognised tax losses	589	4,306	—
Taxation charge	—	—	278

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2002 and 2003, SJQ had unrecognised tax losses of approximately RMB28,707,000 and RMB32,636,000, respectively to carry forward against future taxable income and these tax losses will expire within 5 years. There was no unrecognised tax loss as at 31 December 2001.

8 Dividend

No dividend was declared during the years ended 31 December 2001, 2002 and 2003 (the "Relevant Periods").

9 Staff costs

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
Excluding directors' emoluments:			
Wages	3,032	3,230	3,806
Retirement scheme contributions	164	251	190
	3,196	3,481	3,996

10 Directors' and senior executives' emoluments

(a) Directors' emoluments

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	—	1,017	1,449

During the Relevant Periods, no emoluments were paid by SJQ to the directors as an inducement to join or as compensation for loss of office.

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

	2003	2002	2001
Nil to RMB1,000,000	5	5	4
RMB1,000,001 — RMB1,500,000	—	—	1
	5	5	5

No directors have waived their emoluments in respect of their services to SJQ during the Relevant Periods.

(b) Five highest-paid individuals

The five highest-paid individuals for the years ended 31 December 2001 and 2002 included 3 and 1 executive directors, respectively, whose emoluments are disclosed in (a) above. None of the five highest-paid individuals for the year ended 31 December 2003 was an executive director. Details of the emoluments of the other individuals are as follows:

	2003	2002	2001
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	459	308	163
Retirement scheme contributions	12	—	—
	471	308	163

The range of the emoluments of the other highest-paid individuals is as follows:

	2003	2002	2001
Nil to RMB1,000,000	5	4	2

During the Relevant Periods, no emoluments were paid by SJQ to the five highest-paid individuals as an inducement to join or as compensation for loss of office.

11 Fixed assets

	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2001	3,527	2,851	1,581	7,959
Additions	191	154	345	690
Disposals	—	—	(430)	(430)
At 31 December 2001	3,718	3,005	1,496	8,219
Accumulated depreciation and impairment losses				
At 1 January 2001	(2,046)	(1,813)	(1,062)	(4,921)
Charge for the year	(420)	(319)	(153)	(892)
Disposals	—	—	387	387
At 31 December 2001	(2,466)	(2,132)	(828)	(5,426)
Net book value				
At 31 December 2001	1,252	873	668	2,793
Cost				
At 1 January 2002	3,718	3,005	1,496	8,219
Additions	—	80	—	80
At 31 December 2002	3,718	3,085	1,496	8,299
Accumulated depreciation and impairment losses				
At 1 January 2002	(2,466)	(2,132)	(828)	(5,426)
Charge for the year	(418)	(244)	(163)	(825)
Write-down for impairment loss	(834)	(709)	(505)	(2,048)
At 31 December 2002	(3,718)	(3,085)	(1,496)	(8,299)
Net book value				
At 31 December 2002	—	—	—	—

	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2003	—	3,718	3,085	1,496	8,299
Additions	630	6	71	—	707
Disposals	—	—	(115)	(481)	(596)
At 31 December 2003	630	3,724	3,041	1,015	8,410
Accumulated depreciation and impairment losses					
At 1 January 2003	—	(3,718)	(3,085)	(1,496)	(8,299)
Charge for the year	(115)	(1)	(5)	—	(121)
Disposals	—	—	115	481	596
Write-down for impairment loss	(515)	(5)	(66)	—	(586)
At 31 December 2003	(630)	(3,724)	(3,041)	(1,015)	(8,410)
Net book value					
At 31 December 2003	—	—	—	—	—

12 Amounts due from/(to) investors

The amounts due from/(to) investors are unsecured, non-interest bearing and have no fixed terms of repayment.

The information relating to the amounts due from investors, disclosed pursuant to Section 161B of Hong Kong Companies Ordinance, is as follows:

	2003 *RMB'000*	2002 *RMB'000*	2001 *RMB'000*
CEC			
Gross amount	23,142	25,801	14,934
Less: provision	(10,700)	—	—
	12,442	25,801	14,934
Huayuan	—	—	7,885
	12,442	25,801	22,819

Maximum amounts due from investors during the Relevant Periods are as follows:

	2003	2002	2001
	RMB'000	*RMB'000*	*RMB'000*
CEC	25,937	41,308	42,130
Huayuan	3,538	7,959	12,350

13 Trade and other receivables

	2003	2002	2001
	RMB'000	*RMB'000*	*RMB'000*
Trade and contract receivables, net *(a)*	23,832	6,945	28,166
Retention receivables *(Note 14)*	5,872	3,918	1,761
Deposits	211	508	558
Prepayments	—	157	—
Others	149	595	697
	30,064	12,123	31,182

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

	2003	2002	2001
	RMB'000	*RMB'000*	*RMB'000*
0 — 30 days	24,290	1,720	3,524
31 — 60 days	—	—	7,058
61 — 90 days	—	—	489
Over 90 days	526	7,903	17,095
	24,816	9,623	28,166
Less: Provision for bad and doubtful debts	(984)	(2,678)	—
	23,832	6,945	28,166

No credit period is normally granted to customers.

14 Construction contracts in progress

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
Contract costs incurred plus attributable profits less foreseeable losses to date	99,887	26,011	62,577
Less: Progress billings to date	(93,278)	(25,051)	(64,808)
	6,609	960	(2,231)
Included in current assets/(liabilities) under the following captions:			
Gross amounts due from customers for contract work	7,856	2,666	1,693
Gross amounts due to customers for contract work	(1,247)	(1,706)	(3,924)
	6,609	960	(2,231)

At 31 December 2001, 2002 and 2003, retentions held by customers for contract work included in trade and other receivables of SJQ amounted to approximately RMB1,761,000, RMB3,918,000 and RMB5,872,000, respectively.

15 Cash and bank deposits

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
Deposits with banks	2,886	14,574	8,830
Cash on hand	22	2	1
	2,908	14,576	8,831

16 Amounts due to intermediate holding company and a fellow subsidiary

At 31 December 2002, the amounts due to intermediate holding company were unsecured, bore interest at rates ranging from 4.75% to 6.25% per annum and had no fixed terms of repayment. The amount due to a fellow subsidiary was unsecured, non-interest bearing and had no fixed terms of repayment.

17 Trade and other payables

	2003	2002	2001
	RMB'000	*RMB'000*	*RMB'000*
Trade and contract payables *(a)*	37,651	30,681	19,685
Retention payables	1,267	416	—
Other taxes payables	1,420	393	65
Others	16,107	2,823	2,702
	56,445	34,313	22,452

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

	2003	2002	2001
	RMB'000	*RMB'000*	*RMB'000*
0 — 30 days	25,956	11,667	3,712
31 — 60 days	2,163	39	3,892
61 — 90 days	381	—	1,376
Over 90 days	9,151	18,975	10,705
	37,651	30,681	19,685

18 Short-term borrowings

	2003	2002	2001
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	10,000	10,000	18,000

Bank borrowings are secured by pledges of certain cash deposits of ONFEM Holdings Limited.

19 Reserves

	Capital reserve	Retained profits/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2001	790	(4,373)	(3,583)
Profit for the year	—	4,728	4,728
At 31 December 2001	790	355	1,145
Loss for the year	—	(28,707)	(28,707)
At 31 December 2002	790	(28,352)	(27,562)
Loss for the year	—	(3,929)	(3,929)
At 31 December 2003	790	(32,281)	(31,491)

Capital reserve includes additional capital contributed and exchange differences arising from the injection of foreign currency denominated capital.

20 Retirement obligations

As stipulated by rules and regulations in the PRC, SJQ contributes to a state-sponsored retirement scheme for its employees in the PRC as determined by the local government, which is a defined contribution scheme. SJQ is required to contribute to the scheme at a rate of 22.5% of the basic salary of the PRC employees in addition to contributions by employees at 6% of the basic salary as specified by the local government. SJQ has no further obligations for the actual payment of the retirement or post-retirement benefits beyond the annual contributions.

21 Notes to the cash flow statements

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

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before taxation	(3,929)	(28,707)	5,006
Interest income	(108)	(30)	(198)
Interest expense	1,079	764	1,111
Depreciation	121	825	892
Impairment loss of fixed assets	586	2,048	—
Gain on disposal of fixed assets	(65)	—	(127)
(Write-back of)/provision for bad and doubtful debts	(26)	4,982	5,805
Provision for gross amounts due from customers for contract work	4,744	—	—
Provision for amount due from an investor	10,700	—	—
Operating profit/(loss) before working capital changes	13,102	(20,118)	12,489
Decrease/(increase) in retention receivables	5,081	(4,178)	(1,304)
Decrease/(increase) in amounts due from investors	2,659	(2,982)	883
(Increase)/decrease in trade and other receivables	(17,915)	14,077	(7,560)
(Increase)/decrease in gross amounts due from/(to) customers for contract work, net	(10,393)	(3,191)	11,338
Increase/(decrease) in trade and other payables	8,300	11,861	(2,264)
Cash generated from/(used in) operations	834	(4,531)	13,582

(b) Analysis of changes in financing during the Relevant Periods

	Amount due to intermediate holding company *RMB'000*	Amount due to a fellow subsidiary *RMB'000*	Amount due to an investor *RMB'000*	Short-term borrowings *RMB'000*
At 1 January 2001	—	8,095	—	25,000
New borrowings	—	—	—	57,000
Repayment of borrowings	—	—	—	(64,000)
Net movements during the year	—	(42)	—	—
At 31 December 2001	—	8,053	—	18,000
New borrowings	17,784	—	—	22,000
Repayment of borrowings	—	—	—	(30,000)
Net movements during the year	—	(836)	2,420	—
At 31 December 2002	17,784	7,217	2,420	10,000
New borrowings	32,640	—	—	—
Repayment of borrowings	(43,809)	—	—	—
Net movements during the year	—	—	280	—
Reclassification to trade and other payables	(6,615)	(7,217)	—	—
At 31 December 2003	—	—	2,700	10,000

(c) Cash and cash equivalents

	2003 *RMB'000*	2002 *RMB'000*	2001 *RMB'000*
Cash and bank deposits	2,908	14,576	8,831

22 Operating lease commitments

As at 31 December 2001, 2002 and 2003, SJQ had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2003 *RMB'000*	2002 *RMB'000*	2001 *RMB'000*
Total future minimum lease payments payable:			
Within one year	637	761	1,763
After one year but within five years	1,915	2,519	—
	2,552	3,280	1,763

23 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.

SJQ had the following material transactions with related parties which were carried out in the ordinary and normal course of business of SJQ at terms mutually agreed between both parties:

	2003	**2002**	**2001**
	RMB'000	*RMB'000*	*RMB'000*
Subcontracting charges for contract work to CEC	80	256	5,612
Management service fees to CEC	700	2,149	2,833
Interest expense to intermediate holding company	558	128	—

(III) SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for SJQ in respect of any period subsequent to 31 December 2003.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

A. UNAUDITED PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AFTER COMPLETION

Set out below is the letter from PricewaterhouseCoopers, the auditors of the Company, in respect of the unaudited proforma consolidated statement of assets and liabilities of the Enlarged Group after completion as set out in this Appendix.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

25 June 2004

The Directors
ONFEM Holdings Limited

Dear Sirs,

We report on the unaudited proforma consolidated statement of assets and liabilities (the "Unaudited Proforma Financial Information") of ONFEM Holdings Limited and its subsidiaries (the "Group") and Shanghai Jin Qiao Condo Decoration Engineering Company Limited ("SJQ") (hereinafter collectively referred to as the "Enlarged Group") set out on pages 38 to 39 in Appendix II of this circular dated 25 June 2004 (the "Circular") in connection with the proposed acquisitions of 90.39% and 9.61% equity interest in SJQ by Sino Wisdom Enterprises Limited, a wholly-owned subsidiary of ONFEM Holdings Limited (the "Company"), pursuant to the sale and purchase agreements dated 2 June 2004 between Sino Wisdom Enterprises Limited, Condo Engineering (China) Limited (in liquidation) and the liquidators of Condo Engineering (China) Limtied (in liquidation) in respect of the 1st Acquisition, and dated 10 June 2004 between Sino Wisdom Enterprises Limited and Shanghai Huayuan Aite Curtain Wall Company Limited in respect of the 2nd Acquisition. The Unaudited Proforma Financial Information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the 1st Acquisition and 2nd Acquisition might have affected the relevant financial information of the Enlarged Group as at 31 December 2003.

RESPONSIBILITIES

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Proforma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the Unaudited Proforma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Proforma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on proforma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Proforma Financial Information with the Directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, and accordingly, we do not express any such assurance on the Unaudited Proforma Financial Information.

The Unaudited Proforma Financial Information has been prepared on the bases set out on pages 38 to 39 of the Circular for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of the Enlarged Group at any future date.

OPINION

In our opinion:

(a) the Unaudited Proforma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Proforma Financial Information as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following table is an illustrative and unaudited proforma consolidated statement of assets and liabilities of the Group and SJQ (the "Enlarged Group") as at 31 December 2003 which has been prepared on the basis set out below for the purpose of illustration as if Completion had taken place on 31 December 2003.

The unaudited proforma consolidated statement of assets and liabilities is based on the audited consolidated balance sheet of the Group as at 31 December 2003 as extracted from the Group's annual report for the year ended 31 December 2003, and the audited balance sheet of SJQ as at 31 December 2003 as extracted from the accountants' report on SJQ set out in Appendix I to this Circular.

The unaudited proforma consolidated statement of assets and liabilities is prepared to provide the unaudited proforma financial information on the Enlarged Group as a result of Completion. As it has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group at any future date.

	The Group	**SJQ** *(Note 1)*	**Pro forma adjustments**		**Pro forma consolidation adjustments**		**Pro forma consolidated Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*	*Note*	*HK$'000*
Non-current assets							
Goodwill	—	—			20,817	*4*	20,817
Fixed assets	220,479	—					220,479
Investment in a subsidiary	—	—	5,100	*2*	(5,100)	*4*	—
Non-trading securities	28,440	—					28,440
Deferred tax assets	932	—					932
Retention receivables	607	377					984
Other assets	1,738	—					1,738
	252,196	377					273,390
Current assets							
Inventories	218,475	—					218,475
Amount due from a fellow subsidiary	1	—					1
Amount due from an investor	—	11,695					11,695
Amounts due from minority investors	37	—					37
Trade and other receivables	48,392	28,261			(6,043)	*3*	70,610
Gross amounts due from customers for contract work	3,261	7,384					10,645
Trading securities	2,142	—					2,142
Pledged deposits	53,210	—					53,210
Cash and bank deposits	199,288	2,734	(5,100)	*2*			196,922
	524,806	50,074					563,737

	The Group	SJQ *(Note 1)*	Pro forma adjustments		Pro forma consolidation adjustments		Pro forma consolidated Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*	*Note*	*HK$'000*
Current liabilities							
Amounts due to minority investors	9,571	2,538					12,109
Trade and other payables	135,865	53,058			(13,002)	*3*	175,921
Gross amounts due to customers for contract work	16,363	1,172					17,535
Taxation payable	32,005	—					32,005
Short-term borrowings	71,304	9,400					80,704
	265,108	66,168					318,274
Net current assets/(liabilities)	259,698	(16,094)					245,463
Total assets less current liabilities	511,894	(15,717)					518,853
Non-current liabilities							
Amounts due to minority investors	3,741	—					3,741
Other liabilities	2,668	—					2,668
	6,409	—					6,409
Minority interests	30,778	—					30,778
Net assets	474,707	(15,717)					481,666
Shareholders' equity/ (capital deficiencies)	474,707	(15,717)			22,676	*3,4*	481,666

Notes:

1 The statement of assets and liabilities of SJQ as at 31 December 2003, which adopted Renminbi as its reporting currency, was translated into Hong Kong dollars using the closing rate ruling at the balance sheet date.

2 The adjustment reflects the payment of approximately HK$5,100,000 for the acquisitions of the entire interest in the registered capital of SJQ.

3 The adjustments refer to the elimination of the balances between the Group and SJQ.

4 The pro forma consolidation adjustments reflect the elimination of the Group's investment in SJQ, the capital and reserves of SJQ, and goodwill arising from the acquisitions of SJQ.

B. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Enlarged Group had aggregate outstanding borrowings of approximately HK$97,717,000, comprising bank overdrafts of approximately HK$38,735,000, trust receipt bank loans of approximately HK$3,223,000, short-term loans from financial institutions of approximately HK$36,335,000, outstanding obligation under a finance lease of approximately HK$9,000, amounts due to minority investors of approximately HK$5,582,000, other payables to a former minority investor of approximately HK$12,141,000 and other payable to a third party of approximately HK$1,692,000.

Save as set out above, the Group does not have any other debt securities issued or authorised or otherwise created but unissued, and term loans which are either guaranteed, unguaranteed, secured and/or unsecured.

Contingent liabilities

As at the close of business on 30 April 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, there were contingent liabilities in respect of the following:

The Company had outstanding corporate guarantees to various banks in respect of banking facilities extended to certain subsidiaries amounted to approximately HK$54,900,000.

The Enlarged Group has undertaken and performed electrical and mechanical engineering work for various customers in Hong Kong and the PRC. In respect of such projects, the Enlarged Group could have potential additional charges arising from the related tax payables. Since the amount of the potential additional charges, if any, cannot be reliably determined, no provision was made by the Enlarged Group.

Save as aforesaid and apart from intra-group liabilities and trade payables, the Enlarged Group at the close of business on 30 April 2004 did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debts securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Securities and charges

As at 30 April 2004, the Enlarged Group's aggregate banking facilities were approximately HK$91,596,000, which were secured by pledged fixed deposits of approximately HK$53,210,000, an investment property with carrying amount of approximately HK$195,000,000 of the Enlarged Group and corporate guarantees provided by the Company of approximately HK$54,900,000.

A. AUDITED FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated profit and loss accounts of the Group prepared under accounting principles generally accepted in Hong Kong for the three years ended 31 December 2001, 2002 and 2003, as extracted from the annual reports of the Company for the years ended 31 December 2002 and 2003.

	Year ended 31 December		
	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	160,941	332,168	315,580
Cost of sales	(122,140)	(318,831)	(297,006)
Gross profit	38,801	13,337	18,574
Other revenues	4,501	8,755	26,881
Distribution costs	(11,432)	(4,718)	(3,837)
Administrative expenses	(78,832)	(123,049)	(205,717)
Other operating expenses	(4,593)	(3,835)	(1,823)
Provision for properties under development	(11,276)	—	—
Loss on revaluation of investment properties	(8,250)	(27,378)	(36,500)
Gain on partial waiver of certain payables	—	8,366	—
Gain on deconsolidation of subsidiaries	38,747	—	—
Provision for impairment in value of non-trading securities	—	—	(140,047)
Provision for loan to intermediate holding company	—	—	(23,803)
Provision for bad and doubtful debt — a sundry debtor	—	—	(20,000)
Reversal of provision for impairment in value of deposits on property	—	—	12,000
Gain on liquidation of a subsidiary	—	—	200
Operating loss	(32,334)	(128,522)	(374,072)
Finance costs	(4,860)	(7,703)	(8,731)
Loss before taxation	(37,194)	(136,225)	(382,803)
Taxation	(95)	(363)	(13,944)
Loss after taxation	(37,289)	(136,588)	(396,747)
Minority interests	1,550	(266)	23,013
Loss attributable to shareholders	(35,739)	(136,854)	(373,734)
Dividends	—	—	—
Basic loss per share *(HK cents)*	(4.63)	(17.72)	(48.40)

Set out below is the audited consolidated profit and loss accounts, consolidated balance sheets, consolidated statements of changes in equity, consolidated cash flow statements and notes to the accounts of the Group for the years ended 31 December 2002 and 2003 which are the reproduction of pages 47 to 104 of the 2003 annual report of the Company.

Consolidated Profit and Loss Account

For the year ended 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Turnover	3	160,941	332,168
Cost of sales		(122,140)	(318,831)
Gross profit		38,801	13,337
Other revenues	3	4,501	8,755
Distribution costs		(11,432)	(4,718)
Administrative expenses	33(a)	(78,832)	(123,049)
Other operating expenses		(4,593)	(3,835)
Provision for properties under development	16	(11,276)	—
Loss on revaluation of investment properties	12(c)	(8,250)	(27,378)
Gain on partial waiver of certain payables		—	8,366
Gain on deconsolidation of subsidiaries	29(b)	38,747	—
Operating loss	4	(32,334)	(128,522)
Finance costs	5	(4,860)	(7,703)
Loss before taxation		(37,194)	(136,225)
Taxation	6	(95)	(363)
Loss after taxation		(37,289)	(136,588)
Minority interests		1,550	(266)
Loss attributable to shareholders	7	(35,739)	(136,854)
Dividends	8	—	—
Basic loss per share *(HK cents)*	9	(4.63)	(17.72)

Consolidated Balance Sheet

As at 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Non-current assets			
Fixed assets	12	220,479	235,752
Non-trading securities	14	28,440	16,560
Deferred tax assets	25	932	979
Retention receivables	19	607	3,488
Other assets	15	1,738	2,326
		252,196	259,105
Current assets			
Inventories	16	218,475	229,727
Amount due from a fellow subsidiary	33(b)	1	80
Amounts due from minority investors	17	37	1,898
Trade and other receivables	18	48,392	103,212
Gross amounts due from customers for contract work	19	3,261	13,055
Trading securities	20	2,142	20,643
Pledged deposits	30	53,210	101,604
Cash and bank deposits	21	199,288	210,640
		524,806	680,859
Current liabilities			
Amount due to intermediate holding company		—	3
Amounts due to minority investors	17	9,571	13,753
Trade and other payables	22	135,865	190,710
Gross amounts due to customers for contract work	19	16,363	27,347
Taxation payable		32,005	34,433
Short-term borrowings	23	71,304	134,364
		265,108	400,610
Net current assets		259,698	280,249
Total assets less current liabilities		511,894	539,354
Financed by:			
Share capital	26	77,218	77,218
Reserves	27	397,489	421,840
Shareholders' funds		474,707	499,058
Minority interests		30,778	34,072
Non-current liabilities			
Long-term borrowings	24	—	58
Amounts due to minority investors	17	3,741	2,944
Other liabilities		2,668	3,222
		6,409	6,224
		511,894	539,354

Balance Sheet

As at 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Non-current assets			
Investments in subsidiaries	*13*	406,688	420,225
Other assets	*15*	1,312	1,492
		408,000	421,717
Current assets			
Loans to subsidiaries	*34*	—	4,666
Other receivables	*18*	7,822	7,040
Pledged deposits	*30*	25,096	56,574
Cash and bank deposits	*21*	176,032	168,320
		208,950	236,600
Current liabilities			
Trade and other payables	*22*	57,328	100,257
Amount due to a fellow subsidiary		—	5
		57,328	100,262
Net current assets		151,622	136,338
Total assets less current liabilities		559,622	558,055
Financed by:			
Share capital	*26*	77,218	77,218
Reserves	*27*	482,404	480,837
		559,622	558,055

Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

	2003	2002
	HK$'000	*HK$'000*
Total equity as at 1 January	499,058	636,119
Surplus/(deficit) on revaluation of non-trading securities	11,880	(360)
Exchange differences arising on translation of the accounts of foreign subsidiaries	(492)	153
Net gain/(loss) not recognised in the profit and loss account	11,388	(207)
Loss for the year	(35,739)	(136,854)
Total equity as at 31 December	474,707	499,058

Consolidated Cash Flow Statement
For the year ended 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Cash flows from operating activities			
Cash generated from operations	29(a)	31,440	17,250
Interest paid		(6,442)	(9,641)
Overseas tax paid		(738)	(37)
Net cash from operating activities		24,260	7,572
Cash flows from investing activities			
Purchase of fixed assets		(2,072)	(1,796)
Proceeds from disposal of fixed assets		833	434
Purchase of trading securities		(5,214)	—
Dividends received from listed investments		788	1,058
Proceeds from disposal of trading securities		29,536	18,590
Interest received		4,090	6,041
Deconsolidation of subsidiaries	29(c)	(3,530)	—
Net cash from investing activities		24,431	24,327
Cash flows from financing activities	29(d)		
New borrowings		3,600	3,416
Repayment of borrowings		(199)	(61,002)
Net cash from/(used in) financing activities		3,401	(57,586)
Increase/(decrease) in cash and cash equivalents		52,092	(25,687)
Effect of foreign exchange rate changes		—	191
Cash and cash equivalents at 1 January		110,155	135,651
Cash and cash equivalents at 31 December	29(e)	162,247	110,155

Notes to the Accounts

1. Organisation and Operations

ONFEM Holdings Limited (the "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 13 to the accounts.

2. Principal Accounting Policies

(a) Basis of preparation

The accounts of the Company and its subsidiaries (the "Group") have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). 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.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The change to the Group's accounting policies and the effect of adopting this new standard are set out below.

(b) 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 the 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 or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

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.

(c) 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.

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

(d) Revenue recognition

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

Revenue from the sales of goods is recognised on 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.

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.

(e) 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.

(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% — 50%
Furniture, fixtures and equipment	10% — 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 (accumulated losses) and is shown as a movement in reserves.

(f) 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/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.

(g) 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 estimated by the directors based on prevailing market prices, on an individual property basis, less any further costs expected to be incurred on disposal.

(h) 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.

(i) 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/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.

(j) 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, bank overdrafts.

(k) 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.

(l) 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.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which does not have material effect on the results of prior years. Accordingly, no prior year adjustment has been required.

(m) 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.

(n) 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.

(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

The Company maintains a share option scheme which 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.

(o) 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.

(p) ***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.

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

(r) ***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 where the assets are located.

3. Turnover, Revenue and Segment Information

The Group is principally engaged in construction and engineering contracting businesses, manufacturing and trading of lubricant oil and chemical products, doors and fire proof materials, property leasing, property development and security investment and trading.

	2003	**2002**
	HK$'000	*HK$'000*
(a) ***Turnover***		
Construction and engineering contracts	86,056	250,272
Manufacturing and trading	57,797	62,591
Property leasing	10,826	10,472
Property development	—	7,421
Security investment and trading	6,262	1,412
	160,941	332,168

	2003 *HK$'000*	2002 *HK$'000*
(b) Other revenues		
Interest income from bank deposits	3,951	6,041
Interest income from loans to a deconsolidated subsidiary	139	—
Others	411	2,714
	4,501	8,755
Total revenue	165,442	340,923

(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:

Construction and engineering contracts:	Design and installation of curtain walls and aluminium windows, as well as construction work related to electrical and mechanical engineering and other 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.
Security investment and trading:	Trading and investment of securities.

Inter-segment sales are charged at prevailing market prices.

Segment turnover and results

	Construction and engineering contracts 2003 HK$'000	Construction and engineering contracts 2002 HK$'000	Manufacturing and trading 2003 HK$'000	Manufacturing and trading 2002 HK$'000	Property leasing 2003 HK$'000	Property leasing 2002 HK$'000	Property development 2003 HK$'000	Property development 2002 HK$'000	Security investment and trading 2003 HK$'000	Security investment and trading 2002 HK$'000	Elimination 2003 HK$'000	Elimination 2002 HK$'000	Total 2003 HK$'000	Total 2002 HK$'000
Revenue														
Sales to external customers	86,056	250,272	57,797	62,591	10,826	10,472	—	7,421	6,262	1,412	—	—	160,941	332,168
Inter-segment sales	—	—	1,139	19,516	—	—	—	—	—	—	(1,139)	(19,516)	—	—
	86,056	250,272	58,936	82,107	10,826	10,472	—	7,421	6,262	1,412	(1,139)	(19,516)	160,941	332,168
Result														
Segment result	(38,176)	(91,845)	(3,671)	(7,125)	(4,657)	(19,355)	(10,936)	8,674	6,300	2,590	—	—	(51,140)	(107,061)
Gain on deconsolidation of subsidiaries													38,747	—
Unallocated corporate expenses, net													(19,941)	(21,461)
Operating loss													(32,334)	(128,522)
Finance costs													(4,860)	(7,703)
Taxation													(95)	(363)
Minority interests													1,550	(266)
Loss attributable to shareholders													(35,739)	(136,854)

Segment balance sheet and other segment information

	Construction and engineering contracts 2003 HK$'000	Construction and engineering contracts 2002 HK$'000	Manufacturing and trading 2003 HK$'000	Manufacturing and trading 2002 HK$'000	Property leasing 2003 HK$'000	Property leasing 2002 HK$'000	Property development 2003 HK$'000	Property development 2002 HK$'000	Security investment and trading 2003 HK$'000	Security investment and trading 2002 HK$'000	Total 2003 HK$'000	Total 2002 HK$'000
Segment balance sheet												
Segment assets	30,015	146,763	27,925	25,514	208,515	217,542	212,179	226,073	32,296	43,468	510,930	659,360
Unallocated corporate assets											266,072	280,604
Total assets											777,002	939,964
Segment liabilities	92,641	167,065	10,353	10,938	3,484	6,249	35,144	34,315	—	1	141,622	218,568
Unallocated corporate liabilities											129,895	188,266
Total liabilities											271,517	406,834
Other information												
Capital expenditure incurred during the year	633	503	1,039	938	57	56	145	63	—	—		
Depreciation	874	2,026	1,992	2,006	46	246	229	—	3	3		
Impairment loss recognised in the profit and loss account	546	8,349	477	—	—	—	—	—	—	—		
Impairment loss recognised directly charged to equity	—	—	—	—	—	—	—	—	—	360		
Non-cash expenses/ (income) other than depreciation	3,403	10,575	3,715	570	8,488	27,468	11,276	—	(347)	(1,319)		

(d) Secondary reporting format — geographical segments

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

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

Hong Kong and Macau:	construction and engineering contracts, manufacturing and trading, property leasing and security investment and trading
The PRC:	construction and engineering contracts, manufacturing and trading and property development
Australia:	property development
Southeast Asian countries:	manufacturing and trading

In presenting information on the basis of geographical segments, segment revenues 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**		**Australia**		**Southeast Asian countries**		**Total**	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	98,446	193,797	62,213	130,530	—	7,421	282	420	160,941	332,168
Segment assets	285,199	376,425	225,699	275,510	32	7,425	—	—	510,930	659,360
Capital expenditure	1,096	802	976	994	—	—	—	—	2,072	1,796

4. Operating Loss

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

	2003	2002
	HK$'000	*HK$'000*
Gross rental and management fee income from investment properties	(10,826)	(10,472)
Less: Outgoings	2,039	1,964
	(8,787)	(8,508)
Cost of inventories sold	24,640	38,743
Pension scheme contributions, net of forfeited contributions	1,587	1,358
Operating leases in respect of land and buildings	4,117	4,751
Less: Amount capitalised in properties under development	(175)	(241)
	3,942	4,510
Auditors' remuneration	1,850	2,200
Exchange gain, net	(9,146)	(3,413)
Loss/(gain) on disposal of fixed assets	108	(959)
Impairment loss of fixed assets	1,282	9,394
Depreciation on		
Owned fixed assets	3,447	4,703
Leased fixed assets	49	143
	3,496	4,846
Less: Amount capitalised in properties under development	(175)	(146)
	3,321	4,700
Gain on disposal of machinery held for sale	(1,420)	—
Staff costs *(excluding Directors' emoluments, see Note 10)*	36,847	57,059
Provision for inventory obsolescence and net realisable value	1,878	1,171
Provision for bad and doubtful debts *(a)*	2,000	7,031
Provision for gross amounts due from customers for contract work	1,573	347
Provision for impairment in value of other assets	525	—
Unrealised gain on revaluation of trading securities	(347)	(1,319)

(a) An amount of approximately 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 eliminated against the provision for bad and doubtful debts. The said amount was received during the year from the liquidators of CNMG as the first interim dividend to the unsecured creditors of CNMG.

5. Finance Costs

	2003	2002
	HK$'000	*HK$'000*
Bank loans and overdrafts		
Wholly repayable within five years	6,197	9,450
Not wholly repayable within five years	—	126
Loans from minority investors	224	40
Wholly repayable within five years		
Finance leases	21	25
	6,442	9,641
Less: Borrowing costs capitalised in properties under development *(a)*	(1,582)	(1,938)
	4,860	7,703

(a) Borrowing costs were capitalised at a rate of 5.31% (2002: rates ranging from 5.04% to 6.44%) 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 (2002: 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:

	2003	2002
	HK$'000	*HK$'000*
Hong Kong profits tax		
Over-provision in prior years	(109)	(338)
Overseas taxation	157	1,680
Deferred taxation relating to the reversal/(origination) of temporary differences *(see Note 25)*	47	(979)
Taxation charge	95	363

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

	2003 *HK$'000*	2002 *HK$'000*
Loss before taxation	(37,194)	(136,225)
Calculated at a taxation rate of 17.5% (2002: 16%)	(6,509)	(21,796)
Effect of different taxation rates in other countries	3,507	3,224
Income not subject to taxation	(38,303)	(26,454)
Expenses not deductible for taxation purposes	32,934	26,290
Unrecognised tax losses	8,557	19,099
Increase in net deferred tax assets arising from an increase in taxation rate	(91)	—
Taxation charge	95	363

7. Loss Attributable to Shareholders

Consolidated loss attributable to shareholders includes a profit of approximately HK$l,567,000 (2002: loss of HK$95,633,000) which has been dealt with in the accounts of the Company.

8. Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2003 (2002: Nil).

9. Loss per Share

Basic loss per share is calculated based on the consolidated loss attributable to ordinary shareholders of approximately HK$35,739,000 (2002: HK$136,854,000) and the weighted average number of 772,181,783 shares (2002: 772,181,783 shares) in issue during the year.

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

10. Staff Costs

	2003 *HK$'000*	2002 *HK$'000*
Excluding Directors' remuneration:		
Wages	35,346	51,896
Unutilised annual leave	296	1,470
(Write-back of)/provision for long service payment	(322)	2,355
Pension costs — defined contribution plans	1,527	1,338
	36,847	57,059

11. Directors' and Senior Executives' Emoluments

(a) Directors' emoluments

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

	2003	**2002**
	HK$'000	*HK$'000*
Executive Directors		
Fees	—	200
Salaries and allowances	5,314	5,639
Pension scheme contributions	60	20
Independent Non-executive Directors		
Fees	910	1,107
	6,284	6,966

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.

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

	2003	**2002**
Nil to HK$1,000,000	7	6
HK$1,000,001 — HK$1,500,000	2	—
HK$1,500,001 — HK$2,000,000	—	1
HK$2,000,001 — HK$2,500,000	1	1
	10	8

No Directors have waived their emoluments in respect of their services to the Group for the year (2002: Nil).

(b) Five highest-paid individuals

The five highest-paid individuals included three (2002: two) Executive Directors whose emoluments are disclosed in (a) above. Details of the emoluments of the other two (2002: three) individuals are as follows:

	2003	**2002**
	HK$'000	*HK$'000*
Salaries and allowances	2,964	5,560
Pension scheme contributions	214	321
	3,178	5,881

The range of the emoluments of the other two (2002: three) highest-paid individuals is as follows:

	2003	2002
Nil to HK$1,000,000	—	—
HK$1,000,001 — HK$1,500,000	—	1
HK$1,500,001 — HK$2,000,000	2	1
HK$2,000,001 — HK$2,500,000	—	—
HK$2,500,001 — HK$3,000,000	—	—
HK$3,000,001 or above	—	1
	2	3

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.

12. Fixed Assets

(a) The Group's movements in fixed assets during the year are as follows:

	Investment properties *HK$'000*	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation							
At 1 January 2003	214,760	24,122	11,201	15,687	17,632	7,405	290,807
Additions	—	—	713	405	534	420	2,072
Revaluation deficit	(8,250)	—	—	—	—	—	(8,250)
Effect on deconsolidation of subsidiaries *(see Note 29(b))*	—	(10,773)	(2,545)	(5,097)	(6,569)	(1,890)	(26,874)
Disposals	—	(2,364)	(35)	(39)	(286)	(79)	(2,803)
At 31 December 2003	206,510	10,985	9,334	10,956	11,311	5,856	254,952
Analysis of cost or valuation is as follows:							
At cost	—	10,985	9,334	10,956	11,311	5,856	48,442
At professional valuation — 2003	206,510	—	—	—	—	—	206,510
	206,510	10,985	9,334	10,956	11,311	5,856	254,952
Accumulated depreciation and impairment losses							
At 1 January 2003	—	11,068	9,224	12,802	15,837	6,124	55,055
Charge for the year	—	149	1,385	829	571	562	3,496
Write-down for impairment loss	—	1,072	79	—	131	—	1,282
Effect on deconsolidation of subsidiaries *(see Note 29(b))*	—	(7,397)	(2,545)	(5,097)	(6,569)	(1,890)	(23,498)
Disposals	—	(1,627)	(35)	(4)	(182)	(14)	(1,862)
At 31 December 2003	—	3,265	8,108	8,530	9,788	4,782	34,473
Net book value							
At 31 December 2003	206,510	7,720	1,226	2,426	1,523	1,074	220,479
At 31 December 2002	214,760	13,054	1,977	2,885	1,795	1,281	235,752

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

	Investment properties		Land and buildings	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In Hong Kong				
Long-term leases (over 50 years)	202,930	210,900	2,970	3,530
Medium-term leases (10-50 years)	—	—	—	4,172
In the PRC				
Long-term leases (over 50 years)	3,580	3,860	—	—
Medium-term leases (10-50 years)	—	—	4,750	5,352
	206,510	214,760	7,720	13,054

(c) The investment properties were revalued at 31 December 2003 by independent firms of surveyors, FPDSavills (Hong Kong) Limited and Dudley Surveyors Limited, on an open market value basis. Revaluation deficit of approximately HK$8,250,000 (2002: HK$27,378,000) has been charged to the profit and loss account.

(d) An investment property with carrying amount of approximately HK$195,000,000 (2002: HK$206,422,000) is mortgaged as collateral for the Group's banking facilities *(see Note 30)*.

13. Investments in Subsidiaries

	Company	
	2003	**2002**
	HK$'000	*HK$'000*
Unlisted shares, at cost	695,296	695,296
Less: Provision for impairment in value	(695,296)	(695,296)
	—	—
Loans to subsidiaries *(a)*	49,725	100,141
Less: Provision for loans to subsidiaries	(45,726)	(99,802)
	3,999	339
Amounts due from subsidiaries *(b)*	917,145	931,941
Less: Provision for amounts due from subsidiaries	(514,456)	(512,055)
	402,689	419,886
	406,688	420,225

(a) Included in the loans to subsidiaries is a loan to a subsidiary of approximately HK$2,587,000 (2002: HK$3,627,000) which is 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.

(c) The following is a list of the principal subsidiaries at 31 December 2003:

Name of company	Place of incorporation/ operations	Particulars of issued or registered and paid up capital *(i)*	Group's effective holding	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$l each	100	—	100	Property investment
Brena Company Limited	Hong Kong	500,000 shares of HK$l each	100	—	100	Provision of management services
Bright Circle Limited	Hong Kong	10,000 shares of HK$l each	100	—	100	Property investment
Dongguan Bridgman Fire Doors Limited (ii)	PRC	RMB12,062,711	52	—	52	Manufacturing of fire doors
Eastrend (Hong Kong) Limited	Hong Kong	2 shares of HK$1 each	100	—	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	52	—	52	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	52	—	52	Investment holding
Fantasia Venture Limited	British Virgin Islands/PRC	1 share of US$1	100	—	100	Investment holding
Full Pacific Limited	Hong Kong	2 shares of HK$1each	100	—	100	Property investment
Geraldine Profits Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100	—	100	Securities trading
Great Way Properties Limited	Hong Kong/ PRC	2 shares of HK$1 each	100	—	100	Property investment

Name of company	Place of incorporation/ operations	Particulars of issued or registered and paid up capital *(i)*	Group's effective holding	Percentage of equity Directly held by the Company	Percentage of equity Indirectly held by the Company	Principal activities
Jaeger Development Limited	British Virgin Islands	1 share of US$1	100	—	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	—	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	—	100	Investment holding
Jaeger Trading (Overseas) Limited	Island of Nevis	2 shares of IR£1 each	100	—	100	Provision of agency and consultancy services
Karman Industries Limited	Hong Kong	1,000 shares of HK$1 each	100	—	100	Securities trading
King Life Development Limited	Hong Kong	1,000 shares of HK$1 each	100	—	100	Provision of financing for other group companies
Linkcheer Limited	Hong Kong	2 shares of HK$1 each	100	—	100	Property investment
ONFEM Company Limited	Hong Kong	2 shares of HK$1 each	100	—	100	Investment holding
ONFEM Finance Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	100	100	—	Provision of financing for other group companies
ONFEM Investments Limited	British Virgin Islands/ Hong Kong	100 shares of US$10 each	100	100	—	Investment holding
Pedviking Pty. Limited	Australia	250 shares of A$1 each	100	—	100	Property development
Polycrown Construction Engineering Limited *(iii)*	PRC	US$5,000,000	51	—	51	Electrical and mechanical engineering works

Name of company	Place of incorporation/ operations	Particulars of issued or registered and paid up capital *(i)*	Group's effective holding	Percentage of equity Directly held by the Company	Indirectly held by the Company	Principal activities
Polycrown Engineering (Holdings) Limited	British Virgin Islands/ Hong Kong and PRC	100 shares of US$1 each	51	—	51	Investment holding
Polycrown Engineering Limited	Hong Kong	1,000,000 shares of HK$0.01 each and 1,000,000 non-voting deferred shares of HK$1 each	51	—	51	Electrical and mechanical engineering works
Polycrown International Engineering Limited Inc.	Republic of Panama	500 shares	51	—	51	Trading, marketing and design
Rich Reward Limited	Samoa/Norway	1 share of US$1	100	—	100	Investment holding
Tinnex Management Limited	Hong Kong	2 shares of HK$1 each	100	—	100	Property management
Top Gain Properties Limited	Hong Kong/ PRC	2 shares of HK$1 each	100	—	100	Property investment
Virtyre Limited	Hong Kong	2 shares of HK$10 each	100	—	100	Property investment
Wellstep Management Limited	British Virgin Islands/ Hong Kong	30,000 shares of US$1 each	52	—	52	Investment holding
Wilson Murray Far East Limited	Hong Kong	100 shares of HK$10 each	100	—	100	Securities trading
Zhuhai (Oriental) Blue Horrison Properties Company Limited *(iv)*	PRC	RMB44,000,000	80	—	80	Property development

(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 2003.

(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 52% 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) Polycrown Construction Engineering Limited ("**Polycrown Construction**") is a Sino-foreign equity joint venture established in the PRC with an operating period of 30 years extending to 2027, of which Polycrown Engineering Limited, a 51% 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 RMB300,000. Polycrown Engineering Limited is entitled to share all the profits/losses of Polycrown Construction after deducting the distribution to the Chinese joint venture partner.

(iv) Zhuhai (Oriental) Blue Horrison Properties Company Limited ("**ZOBHP**") is a Sino-foreign equity joint venture established in the PRC with an operating period of 8 years extending to 2007 *(see Note 36)*.

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

14. Non-Trading Securities

	Group 2003	Group 2002
	HK$'000	*HK$'000*
Equity securities:		
Listed in Hong Kong, at fair value	28,440	16,560
Unlisted, at cost *(a)*	243,600	243,600
Less: Provision for impairment in value	(243,600)	(243,600)
	—	—
	28,440	16,560
Quoted market value of listed securities	28,440	16,560

(a) As at 31 December 2003, the Group held approximately 15.3% (2002: 15.3%) of the common stock of Greater Beijing Region Expressways Limited ("**GBRE**"), a company incorporated in the British Virgin Islands. Pursuant to a winding up order issued by the High Court of the Hong Kong Special Administrative Region ("**HKSAR**") against Greater Beijing First Expressways Limited ("**GBFE**"), a key principal subsidiary of GBRE, on 12 June 2000, all the financial information of GBFE was withheld by the liquidator. A full provision on the original investment cost of GBRE of approximately HK$243,600,000 was made accordingly.

15. Other Assets

	Group		Company	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Transferrable debentures	1,312	1,492	1,312	1,492
Others	426	834	—	—
	1,738	2,326	1,312	1,492

16. Inventories

	Group	
	2003	2002
	HK$'000	*HK$'000*
Manufacturing and trading stocks *(a)*		
Raw materials	5,212	7,007
Work in progress	231	1,052
Finished goods	10,601	9,529
	16,044	17,588
Less: Provision for inventory obsolescence	(8,465)	(6,842)
	7,579	10,746
Properties under development — located in the PRC *(b)*	222,172	215,772
Less: Provision for net realisable value	(11,276)	—
	210,896	215,772
Properties held for sale	—	2,709
Machinery held for sale	—	4,713
Less: Provision for net realisable value	—	(4,213)
	—	500
	218,475	229,727

(a) Certain inventories are held under trust receipt loan arrangements *(see Note 30)*.

(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.

17. Amounts Due from/to Minority Investors

The balances with the minority investors are unsecured, non-interest bearing and have no fixed repayment terms.

18. Trade and Other Receivables

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and contract receivables, net *(a)*	32,094	70,986	—	—
Retention receivables *(see Note 19)*	3,883	18,313	—	—
Deposits	1,529	7,820	910	6,335
Prepayments	1,002	1,260	462	221
Others	9,884	4,833	6,450	484
	48,392	103,212	7,822	7,040

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

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
0 — 30 days	28,233	44,804
31 — 60 days	5,715	12,435
61 — 90 days	5,559	5,045
Over 90 days	47,083	94,862
	86,590	157,146
Less: Provision for bad and doubtful debts	(54,496)	(86,160)
	32,094	70,986

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

19. Construction Contracts in Progress

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Contract costs incurred plus attributable profits less foreseeable losses to date	609,171	1,211,952
Less: Progress billings to date	(622,273)	(1,226,244)
	(13,102)	(14,292)

Included in current assets/(liabilities) under the following captions:

Gross amounts due from customers for contract work	3,261	13,055
Gross amounts due to customers for contract work	(16,363)	(27,347)
	(13,102)	(14,292)

As at 31 December 2003, retentions held by customers for contract work included in non-current retention receivables and trade and other receivables of the Group under Note 18 amounted to approximately HK$607,000 (2002: HK$3,488,000) and HK$3,883,000 (2002: HK$18,313,000), respectively.

20. Trading Securities

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
At fair value:		
Equity securities listed in Hong Kong	2,142	7,738
Equity securities listed overseas	—	12,905
	2,142	20,643
Quoted market value of listed securities	2,142	20,643

21. Cash and Bank Deposits

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks *(a)*	199,126	210,514	176,032	168,320
Cash on hand	162	126	—	—
	199,288	210,640	176,032	168,320

(a) As at 31 December 2002, included in deposits with banks was a net amount of approximately HK$7,017,000, which represented the sum of principal and interest of a bank deposit net of a provision of HK$4,700,000 for the irrecoverable portion, being frozen by a bank (the "Bank") due to a dispute with the Bank. On 14 August 2003, a deed of compromise was entered into between the Company and the Bank to settle the dispute and such net amount was subsequently released by the Bank to the Company on 22 August 2003.

22. Trade and Other Payables

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade, bills and contract payables *(a)*	76,796	121,181	3,326	85
Retention payables	1,840	7,590	—	—
Accruals and payable for construction costs	28,756	33,061	3,924	3,355
Provisions *(b)*	17,176	7,028	50,078	96,817
Temporary receipts	165	5,016	—	—
Rental deposits received	1,131	1,557	—	—
Others	10,001	15,277	—	—
	135,865	190,710	57,328	100,257

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

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
0 — 30 days	6,894	28,893
31 — 60 days	1,394	2,085
61 — 90 days	1,124	2,182
Over 90 days	67,384	88,021
	76,796	121,181

(b) Provisions

		Group	
	Provision for a bank guarantee	**Provision in respect of contract work**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2003	—	7,028	7,028
Addition	10,148	—	10,148
At 31 December 2003	10,148	7,028	17,176

Provision for a bank guarantee related to a guarantee in respect of banking facilities extended to a subsidiary which was deconsolidated during the year (*see Note 29(b)).*

Provision in respect of contract work represents claims served against the Group by subcontractors and other third parties in respect of certain contract work.

	Company Provision for bank guarantees
	HK$'000
At 1 January 2003	96,817
Additions	9,358
Less: Amounts paid	(56,097)
At 31 December 2003	50,078

The amount represents provisions made for guarantees provided by the Company to various banks in respect of banking facilities extended to certain existing subsidiaries and a subsidiary which was deconsolidated during the year *(see Note 29(b)).*

23. Short-Term Borrowings

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Bank overdrafts, secured	37,041	67,444
Trust receipt bank loans, secured	3,253	26,024
Bank loans, secured	26,455	26,526
Current portion of long-term borrowings *(see Note 24)*	28	11,050
Loan from a minority investor *(a)*	4,527	3,320
	71,304	134,364

(a) The balance is unsecured, bearing interest at 5.31% per annum and is repayable in next year.

24. Long-Term Borrowings

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Bank loans, secured	—	10,881
Obligations under finance leases *(a)*	28	227
	28	11,108
Current portion of long-term borrowings *(see Note 23)*	(28)	(11,050)
	—	58

The analysis of the Group's long-term borrowings is as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Bank loans		
Wholly repayable within one year	—	10,881
Obligations under finance leases		
Wholly repayable within five years	28	227
	28	11,108

(a) At 31 December 2003, the Group's finance lease liabilities were repayable as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Within one year	35	192
In the second to fifth years	—	64
	35	256
Future finance charges on finance leases	(7)	(29)
Present value of finance lease liabilities	28	227
The analysis of the present value of finance lease liabilities is as follows:		
Within one year	28	169
In the second to fifth years	—	58
	28	227

25. Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

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

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
At 1 January	979	—
Deferred taxation (charged)/credited to the profit and loss account *(see Note 6)*	(47)	979
At 31 December	932	979

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2003, the Group had unrecognised tax losses in Hong Kong of approximately HK$359,717,000 (2002: HK$450,397,000) 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$16,489,000 as at 31 December 2003 (2002: HK$10,323,000); these tax losses will expire within 5 years.

26. Share Capital

	2003		2002	
	No. of Shares	**Amount**	**No. of Shares**	**Amount**
	'000	*HK$'000*	*'000*	*HK$'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

(a) Share options

On 29 May 2003, the Company adopted a new share option scheme ("**New Scheme**"). No options have been granted under the New Scheme during the period from the date of its adoption to 31 December 2003. On the same day, the old share option scheme adopted by the Company on 30 September 1993 ("**Old Scheme**") was terminated. There were no outstanding options granted under the New Scheme and the Old Scheme as at 31 December 2003 and 31 December 2002.

1. Purpose of the New 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 New 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 New 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. 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

5. The minimum period for which an option must be held before it can be exercised

Not applicable

6. *Time of acceptance and the amount payable on acceptance of the option*

The offer of an option made in accordance with the New 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

7. *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 of Hong Kong Limited ("**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

8. *The remaining life of the New Scheme*

The New Scheme was adopted on 29 May 2003 and will remain in force for a period of 10 years from the date of adoption

27. Reserves

(a) Group

Movements in the reserves during the year are as follows:

	Share premium	Contributed surplus	Capital redemption reserve	Investment revaluation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	409,738	601,415	769	—	(453,021)	558,901
Exchange differences on translation of the accounts of foreign subsidiaries	—	—	—	—	153	153
Deficit on revaluation of non-trading securities	—	—	—	(360)	—	(360)
Loss for the year	—	—	—	—	(136,854)	(136,854)
At 31 December 2002	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

(b) ***Company***

Movements in the reserves during the year are as follows:

	Share premium	Contributed surplus	Capital redemption reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	409,738	575,220	769	(409,257)	576,470
Loss for the year	—	—	—	(95,633)	(95,633)
At 31 December 2002	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

(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 2003, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$72,666,000 (2002: HK$71,099,000).

28. Pension Obligations

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

A defined contribution pension scheme is provided to certain eligible employees (the "**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 30% and 90% after completing three to nine years of service from the date of joining the Group.

With the introduction of the MPF, a defined contribution scheme managed by independent trustees, by the Government of the HKSAR on 1 December 2000, each of the Hong Kong subsidiaries of the Group and those employees not eligible to join the 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$l,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.

The Group's contributions 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$302,000 (2002: HK$519,000) were utilised during the year and there were no unutilised forfeited contributions available as at 31 December 2003.

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, which is a defined contribution plan. 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.

29. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of loss before taxation to net cash generated from operations

		2003	**2002**
	Note	*HK$'000*	*HK$'000*
Loss before taxation		(37,194)	(136,225)
Interest income		(4,090)	(6,041)
Interest expense		4,860	7,703
Depreciation		3,496	4,846
Loss on revaluation of investment properties		8,250	27,378
Impairment loss of fixed assets		1,282	9,394
Loss/(gain) on disposal of fixed assets		108	(959)
Gain on deconsolidation of subsidiaries	*29(b)*	(38,747)	—
Dividend income from listed investments		(788)	(1,058)
Provision for impairment in value of other assets		525	—
Provision for properties under development		11,276	—
Provision for inventory obsolescence and net realisable value		1,878	1,171
Provision for bad and doubtful debts		2,000	7,031
Provision for gross amounts due from customers for contract work		1,573	347
Realised gain on disposal of trading securities		(5,474)	(354)
Unrealised gain on revaluation of trading securities		(347)	(1,319)
Operating loss before working capital changes		(51,392)	(88,086)
Decrease/(increase) in retention receivables, non-current portion		2,881	(3,488)
Decrease/(increase) in other assets		63	(53)
(lncrease)/decrease in inventories		(3,029)	20,695
Decrease/(increase) in amounts due from fellow subsidiaries		79	(39)
Decrease in amounts due from minority investors		—	5,478
Decrease in trade and other receivables		42,969	40,220
Decrease in gross amounts due from/to customers for contract work, net		1,626	15,608
Decrease in pledged deposits		35,936	30,994
Decrease in frozen deposits		7,017	28,983
Decrease in amount due to intermediate holding company		(3)	(3)
Increase in amounts due to minority investors		2,640	589
Decrease in trade and other payables		(6,045)	(34,289)
(Decrease)/increase in other liabilities		(554)	638
Exchange adjustments		(748)	3
Cash generated from operations		31,440	17,250

(b) Deconsolidation of subsidiaries

	Note	2003 HK$'000
Net liabilities at the date of deconsolidation		
Fixed assets		3,376
Properties held for sale		2,709
Trade and other receivables		9,851
Amounts due from minority investors		1,861
Pledged deposits		12,458
Cash and bank deposits		3,492
Amounts due to minority investors		(5,075)
Trade and other payables		(58,888)
Gross amounts due to customers for contract work		(4,389)
Taxation payable		(1,738)
Dividend payable		(1,836)
Short-term bank loans	*29(d)*	(10,754)
Bank overdrafts		(11,801)
Provision for bank guarantees		(60,734)
Settlement of liabilities for deconsolidated subsidiaries	*22(b)*	10,148
	29(c)	11,839
Gain on deconsolidation of subsidiaries	*29(a)*	(38,747)

On 8 September 2003, an adjourned hearing was held at the High Court of the HKSAR (the "**Court**") and winding-up orders against Condo Curtain Wall Company Limited ("**CCW**") and Condo Engineering (China) Limited ("**CEC**") both being 52%-owned subsidiaries of the Company, were made by the Court on the same date. Accordingly, the Company has not included CCW and CEC and their subsidiaries in its consolidated results since 8 September 2003, the date the orders came into force.

During the year, the Group settled certain bank borrowings totaling approximately HK$57,672,000 on behalf of CCW and CEC, of which HK$11,839,000 was settled subsequent to 8 September 2003. Such amounts were previously secured by certain assets of the Group. The Group made a further provision of approximately HK$10,148,000 for the amount of guarantee provided in respect of banking facilities extended to a deconsolidated subsidiary *(see Note 22(b))*.

The consolidated turnover and the net loss attributable to shareholders of the Group contributed by the subsidiaries deconsolidated for the year ended 31 December 2003 amounted to HK$10,586,000 and HK$7,881,000, respectively (2002: HK$11,114,000 and HK$43,640,000 respectively).

(c) Analysis of net outflow of cash and bank deposits in respect of the deconsolidation of subsidiaries

	Note	2003 HK$'000
Settlement of liabilities for deconsolidated subsidiaries	*29(b)*	(11,839)
Cash and cash equivalents deconsolidated		8,309
Net cash used		(3,530)

(d) Analysis of changes in financing during the year

	Short-term and long-term borrowings *(i)*
	HK$'000
At 1 January 2002	100,196
New borrowings	3,416
Repayment of borrowings	(61,002)
Transfer to amounts due to minority investors	(1,656)
At 31 December 2002	40,954
New borrowings	3,600
Repayment of finance lease obligations	(199)
Transfer from amounts due to minority investors	950
Exchange differences	(288)
Deconsolidation of subsidiaries *(see Note 29(b))*	(10,754)
At 31 December 2003	34,263

(i) As at 31 December 2003, short-term and long-term borrowings above exclude bank overdrafts.

(e) Cash and cash equivalents

	2003	**2002**
	HK$'000	*HK$'000*
Cash and bank deposits (excluding frozen deposits)	199,288	203,623
Bank overdrafts, secured	(37,041)	(67,444)
Trust receipt bank loans, secured	—	(26,024)
	162,247	110,155

30. Banking Facilities

The Group's aggregate banking facilities as at 31 December 2003 were approximately HK$81,256,000 (2002: HK$163,823,000) of which the unused facilities as at the same date amounted to approximately HK$13,146,000 (2002: HK$9,251,000). Securities for the facilities include:

(a) fixed deposits of the Group of approximately HK$53,210,000 (2002: HK$101,604,000) and of the Company of approximately HK$25,096,000 (2002: HK$56,574,000);

(b) an investment property with carrying amount of approximately HK$195,000,000 (2002: HK$206,422,000);

(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.

31. Commitments

(a) ***Capital commitments of the Group outstanding at 31 December 2003 were as follows:***

	2003	2002
	HK$'000	*HK$'000*
Contracted but not provided for		
— properties under development	145,814	142,385

At 31 December 2003, the Company did not have any outstanding capital commitments (2002: Nil).

(b) ***At 31 December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:***

	2003	2002
	HK$'000	*HK$'000*
Total future minimum lease payments payable:		
Within one year	2,823	3,182
After one year but within five years	3,299	6,149
After five years	3,772	4,587
	9,894	13,918

At 31 December 2003, the Company did not have any operating lease commitments (2002: Nil).

(c) ***The Group leases out investment properties under operating leases which generally run for a period of one to five years. None of the leases includes contingent rentals.***

At 31 December 2003, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2003	2002
	HK$'000	*HK$'000*
Not later than one year	9,621	10,043
Later than one year and not later than five years	8,828	8,786
	18,449	18,829

At 31 December 2003, the Company did not have any outstanding commitments for lease receipts (2002: Nil).

32. Contingent Liabilities

At 31 December 2003, there were contingent liabilities in respect of the following:

(a) The Group undertook to discharge the obligations of a bank under a performance bond issued by the bank in respect of a construction contract of the Group, which amounted to approximately HK$1,356,000 (2002: HK$15,840,000).

(b) The Company had outstanding corporate guarantees to various banks in respect of banking facilities extended to certain existing subsidiaries amounted to approximately HK$54,900,000 (2002: HK$106,900,000). As at 31 December 2003, the Company had a total provision of approximately HK$39,930,000 (2002: HK$96,817,000) in respect of such corporate guarantees in the Company's accounts *(see Note 22(b))*.

(c) The Group has undertaken and performed electrical and mechanical engineering work for various customers in Hong Kong and the PRC. In respect of such projects, the Group could have potential additional charges arising from the related tax payables. Since the amount of the potential additional charges, if any, cannot be reliably determined, no provision was made by the Group.

33. 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.

(a) The Group had the following material transactions with a related party, which were carried out on normal commercial terms and in the ordinary and normal course of business of the Group:

	2003	**2002**
	HK$'000	*HK$'000*
Sharing of administrative costs by intermediate holding company	—	626
Rental expenses paid to a fellow subsidiary	857	—

(b) The amount due from a fellow subsidiary is unsecured, non-interest bearing and has no fixed repayment terms.

34. Loans to Subsidiaries

	Company	
	2003	**2002**
	HK$'000	*HK$'000*
Loans to subsidiaries	2,544	18,489
Less: Provision for loans to subsidiaries	(2,544)	(13,823)
	—	4,666

The loans to subsidiaries are unsecured, bear interest at commercial lending rates and will become repayable in next year.

35. Ultimate Holding Company

The Directors consider the ultimate holding company to be China National Metals and Minerals Import and Export Corporation, a company incorporated in the PRC, which changed its name to China Minmetals Corporation on 18 January 2004.

36. Subsequent Events

On 8 January 2004, a wholly owned subsidiary of the Company entered into an agreement for the purchase of the remaining 20% equity interest in ZOBHP *(see Note 13(c)(iv))* for a consideration of approximately RMB12,859,000 (equivalent to approximately HK$11,895,000). The consideration of the acquisition was paid in full and ZOBHP has become a wholly owned subsidiary of the Company since 20 February 2004.

37. Approval of Accounts

The accounts were approved by the Board of Directors on 19 April 2004.

B. MATERIAL ADVERSE CHANGE

Save as set out in the Company's press announcement dated 16 June 2004, as at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2003, the date to which the latest published audited consolidated accounts of the Group were made up.

C. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account of the current cash balance and resources of the Group, the available banking facilities and the likely refinancing of certain Group's property assets, the Group has sufficient working capital for its present requirements.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. EXPERTS

The followings are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualifications
PricewaterhouseCoopers	Certified Public Accountants
Centurion	A deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities as defined in the SFO

PricewaterhouseCoopers and Centurion have each given and have not withdrawn their respective written consents to the issue of this circular with inclusion of their letters, reports and/or summary of their opinions (as the case may be) and references to their names in the form and context in which they appear herein.

3. DISCLOSURE OF INTERESTS

(a) Interests in the Company

As at the Latest Practicable Date, the interests 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 SFO), which have been notified to the Company and the 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 are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Interests in Shares

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

Save as disclosed above, as at the Latest Practicable Date, 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 positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO).

(b) Directors' rights to acquire Shares

The following outstanding share options were granted to the Directors under the share option scheme of the Company adopted on 29 May 2003:

Name of Director	Date of acceptance of share options	Exercise period of share options	Exercise price of share options	Number of share options outstanding at the Latest Practicable Date	Approximate percentage shareholding (%)
			HK$		
Lin Xizhong	16 March 2004	16 March 2004 to 15 March 2007	0.83	4,000,000	0.52
Wang Xingdong	16 March 2004	16 March 2004 to 15 March 2007	0.83	3,000,000	0.39
Yan Xichuan	16 March 2004	16 March 2004 to 15 March 2007	0.83	2,000,000	0.26
Qian Wenchao	16 March 2004	16 March 2004 to 15 March 2007	0.83	1,500,000	0.19
He Xiaoli	16 March 2004	16 March 2004 to 15 March 2007	0.83	1,500,000	0.19

(c) As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date, which is significant in relation to the business of the Group.

(d) As at the Latest Practicable Date, (i) none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation; (ii) the aggregate of the remuneration payable to and benefits in kind receivable by the Directors would not be varied in any way in consequence of the 1st and 2nd Acquisitions.

(e) As at the Latest Practicable Date, none of Centurion or PricewaterhouseCoopers had any shareholding in any member of the Group and neither of them had any right or option to subscribe for or nominate persons to subscribe for shares in any member of the Group.

(f) As at the Latest Practicable Date, none of the Directors, Centurion or PricewaterhouseCoopers had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company, or was proposed to be acquired, or disposed of by, or leased to the Company, since 31 December 2003, the date to which the latest published audited consolidated accounts of the Group were made up.

4. SUBSTANTIAL SHAREHOLDERS

(a) As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO, the following entities have interests in the Shares which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Number of Shares held	Percentage of total issued Shares
China Minmetals *(Note)*	416,585,852	53.95%
Minmetals HK *(Note)*	416,585,852	53.95%
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.

Save as disclosed above, there was no person known to the Directors or the chief executive of the Company, other than the Directors or the chief executive of the Company, who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) As at the Latest Practicable Date, so far were known to the Directors and the chief executive of the Company, the persons, other than a Director or chief executive of the Company, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (other than the Company) and the amount of such persons' interests in such securities were as follows:

Name of subsidiary of the Company	**Name of substantial shareholder**	**Interest in the share capital/ equity interest**	**Percentage**
Apex Dragon Consultants Limited*	Wong Sik Woon	333 shares	33.30%
Apex Dragon Consultants Limited*	Cordia Asia Limited	100 shares	10.00%
Apex Dragon E & M Engineering Co., Limited	Wong Sik Woon	333 shares	33.30%
Apex Dragon E & M Engineering Co., Limited	Cordia Asia Limited	100 shares	10.00%
Best High Development Limited	Fair King Investment Limited	20 shares	20.00%
Brittaland Investments Limited	Fair King Investment Limited	10 shares	10.00%
Brittaland Investments Limited	Chan Kwok Hing	29 shares	29.00%
Condo Curtain Wall Company Limited ("CCW")*	Yu Lap On, Stephen ("Mr. Yu")	120,000 shares	16.00%
CCW*	Cheung Sui Keung ("Mr. Cheung")	120,000 shares	16.00%

Name of subsidiary of the Company	Name of substantial shareholder	Interest in the share capital/ equity interest	Percentage
CCW*	Ng Tze Kwan (“Mr. Ng”)	120,000 shares	16.00%
Charm Ace Investment Limited	Lok Mei Yee	30 shares	30.00%
Charm Ace Investment Limited	Honour King Limited	19 shares	19.00%
Jaeson Aerosol Company Limited#	Chan Wang Kay	20 shares	20.00%
Polycrown Engineering (Holdings) Limited	Polyrich Profits Limited	49 shares	49.00%
Wellstep Management Limited (“Wellstep”)	Turner Overseas Limited	4,800 shares	16.00%
Wellstep	Silver Lake Asia Corporation	4,800 shares	16.00%
Wellstep	Spirit Sunshine Inc.	4,800 shares	16.00%

** In liquidation*
 # Holders of non-voting deferred shares are ignored

Save as disclosed above, there was no person known to the Directors or the chief executive of the Company, who, as at the Latest Practicable Date, was directly or indirectly interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

5. LITIGATION

(a) On 13 March 2003, the Company commenced legal proceedings in Hong Kong (“Action”) against Mr. Yu, Mr. Ng and Mr. Cheung, as well as companies controlled by them (namely Turner Overseas Limited, Spirit Sunshine Inc. and Silver Lake Asia Corporation respectively) (collectively, “Defendants”). Mr. Yu, Mr. Ng and Mr. Cheung are directors of CEC and CCW. The claims are based on counter-indemnities executed on 23 March 1998, 5, 6 and 11 January 1999 by the Defendants in favour of the Company as referred to in items 1, 2, 3, 4 and 5 in the section headed "Counter-Indemnities" for CCW, Wellstep and their respective subsidiaries in the "Letter from the Board" in the circular of the Company dated 10 November 2003 in respect of the liabilities and obligations covered by those counter-indemnities as more particularly described in that section. As at 15 January 2004, the principal amount claimed against each of the Defendants in the Action is about HK$16,400,000.

On 8 April 2003 and 16 June 2003, the Company obtained judgment against Mr. Ng and Spirit Sunshine Inc. respectively. The Company also obtained judgment dated 14 January 2004 against Mr. Yu, Mr. Cheung, Turner Overseas Limited and Silver Lake Asia Corporation pursuant to the Company's application for summary judgment. Pursuant to the said judgments, each of the Defendants is required to pay the Company a sum of HK$16,418,527.51 together with accrued interests and costs. The said judgments took effect immediately from their respective dates, and are enforceable by the Company. Mr. Ng was made bankrupt by the High Court of Hong Kong ("Court") on 20 November 2003. The Company has demanded Mr. Yu, Mr. Cheung, Turner Overseas Limited and Silver Lake Asia Corporation to make full payment of the judgment debt on 15 January 2004. Since no payment has been made by them, the Company has filed a petition for a bankruptcy order against Mr. Yu on 15 April 2004, which petition has been heard by the Court on 9 June 2004. A bankruptcy order was made against Mr. Yu by the Court on 9 June 2004. The Company has also applied for the examination of Mr. Cheung as to his assets, means and liabilities, and an order for examination has been made by the Court on 5 May 2004. The first hearing of the examination of Mr. Cheung will be held on 26 July 2004. As at the date of this circular, no payment has been received from any of the Defendants.

(b) On 12 March 2003, the Company commenced legal proceedings in Hong Kong against (i) its former Director, Mr. Cui Guisheng ("Mr. Cui"); (ii) its former financial controller, Mr. Ip Shu Wah Reginald ("Mr. Ip"); (iii) Jointstock Investments Limited ("Jointstock"); (iv) ICEA Financial Services Limited ("ICEA"); and (v) Gold Light Development Limited ("Gold Light"). The Company's claims are for the sum of approximately HK$20,000,000 in connection with or arising out of the Company's purported participation in a purported HK$20,000,000 loan from Jointstock to ICEA.

The defendants (except Gold Light) have instructed legal advisers to defend the claims. An order has previously been made by the Court to stay the legal action against Mr. Cui, pending the determination of criminal proceedings against him in relation to certain transactions involved in the action. On 20 April 2004, the criminal proceeding against Mr. Cui was withdrawn and as a result, the stay of the legal action against Mr. Cui was uplifted on that day. On 14 June 2004, Mr. Cui filed and served his defence. As for the legal action against Gold Light, the

Court has made a winding up order against Gold Light on 19 November 2003 and by reason of the winding up order and operation of law, the legal proceedings brought by the Company against Gold Light has been stayed except by leave of the Court. The proceedings of the Company against the other defendants (namely, Mr. Cui, Mr. Ip, Jointstock and ICEA) are ongoing but no date has been fixed yet for the trial.

Further details of the transactions have been announced by the Company in its announcements dated 1 February 2002, 4 February 2002 and 8 July 2002 respectively.

(c) Zhuhai (Oriental) Blue Horrison Properties Company Limited（珠海東方海天置業有限公司）(“ZOBHP”), a wholly-owned subsidiary of the Company, has received a writ of summons dated 4 February 2004 (“Summons”) issued by the PRC court. According to the Summons, China Railway Nineteenth Bureau Group Corporation（中鐵十九局集團有限公司）(“China Railway”) alleged that ZOBHP was in breach of a construction contract entered into with China Railway in 1999 in relation to a property development project in which China Railway was the main contractor. The aggregate amount claimed by China Railway was approximately RMB23,115,000 plus further interests, damages and costs.

ZOBHP has made a counter-claim on China Railway in the amount of approximately RMB41,730,000 for damages in the delay in the progress and the quality of work performed by China Railway and requested that the construction contract entered into with China Railway be declared null and void.

A hearing was held by the PRC court on 22 April 2004 and no judgment has been made yet.

Further details of the transaction have been announced by the Company in its announcement dated 13 February 2004.

(d) On 15 June 2004, the Company was informed by Polycrown Engineering Limited (“PEL”), a 51% non wholly-owned subsidiary of the Company, that the board of directors of PEL (“PEL Board”) had resolved that PEL be wound up pursuant to section 228A of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) because PEL Board considered that PEL could not by reason of its enormous liabilities continue its business and that Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton of Ferrier Hodgson Limited were appointed joint and several provisional liquidators of PEL. PEL immediately ceased operation on 15 June 2004. The provisional liquidators are reviewing the affairs of PEL and will take such further steps as appropriate for the winding up of PEL.

On 18 June 2004, the Company received a demand letter from The Hongkong and Shanghai Banking Corporation Limited ("Bank") demanding the repayment by the Company of HK$28,300,000, being the maximum amount guaranteed by the Company for a banking facility ("PEL Facility") granted to PEL. Virtyre Limited ("Virtyre"), a wholly-owned subsidiary of the Company, has also executed a mortgage previously in favour of the Bank in respect of the PEL Facility. The Company paid HK$28,300,000 to the Bank on 18 June 2004. According to the Bank, the total amount due and payable under the PEL Facility amounted to HK$28,442,226.73 as at 15 June 2004. On 21 June 2004, Virtyre received a demand letter from the Bank demanding the repayment of the amount of HK$152,363.45, being the remaining balance due and payable under the PEL Facility after repayment of HK$28,300,000 by the Company, plus interest accrued from 16 June 2004 up to 20 June 2004. Virtyre paid HK$152,363.45 to the Bank on 21 June 2004.

Further details of the transaction have been announced by the Company in its announcement dated 16 June 2004.

Save as disclosed above, as at the Latest Practicable Date, none of the Company or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or arbitration or claim of material importance is known to the Directors to be pending or threatened against either the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by any member of the Group within the two years immediately preceding the date of this circular and are or may be material:

(a) 1st Sale and Purchase Agreement; and

(b) 2nd Sale and Purchase Agreement.

7. DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

The following table sets out the name and business address of each of the Directors and members of senior management of the Company:

Position	Name	Business address
Chairman	Mr. LIN Xizhong	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Managing Director	Mr. WANG Xingdong	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Deputy Managing Director	Mr. YAN Xichuan	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Executive Director	Mr. QIAN Wenchao	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
	Ms. HE Xiaoli	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Independent Non-executive Director	Mr. LAM Chun, Daniel	KCRC House, No. 9 Lok King Street, Fotan, Shatin, New Territories, Hong Kong
	Mr. Selwyn MAR	11th Floor, Fortis Bank Tower, 77-79 Gloucester Road, Wanchai, Hong Kong
	Ms. TAM Wai Chu, Maria	Room 2306, Jardine House, 1 Connaught Place, Central, Hong Kong

Position	Name	Business address
Senior Management	Mr. LI Tan	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
	Ms. YUEN Wai Man	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
	Mr. XU Minluo	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
	Ms. CHEN XIE Ying	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
	Mr. YEUNG Yau Choi	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
	Mr. SZETO Wai Hung, Augustine	Unit 1308, 13th Floor, Shatin Galleria, 18 Shan Mei Street, Fotan, Shatin, New Territories, Hong Kong

The followings set out the brief biographical details in respect of the Directors and members of senior management of the Company:

Directors

Mr. LIN Xizhong, aged 59, was appointed as an Executive Director and the Chairman of the Company in November 2003. Mr. Lin is the Vice President of China Minmetals, the Vice Chairman and Chief Executive Officer of 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 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 43, 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 57, was appointed as an Executive Director and a 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.

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.

Mr. QIAN Wenchao, aged 39, 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 36, 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 58, was appointed as an Independent Non-executive Director of the Company in May 1997. He is the Director of the Property Division 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 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.

Mr. Selwyn MAR, aged 68, 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 Society of 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 26 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 58, 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 47, was appointed as a 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. He was also appointed as a Director and the General Manager of ZOBHP, a subsidiary of the Company, and is responsible for strategic planning and overall operation of ZOBHP.

Mr. Li holds a Bachelor's degree in Building Structure from South China University of Science and Engineering and a Master's degree in Construction Economics and Project Management from Tongji University. At present, he is taking a course for a Doctoral degree of Philosophy in Management at Preston University, U.S.A.. Mr. Li is a Chartered Builder of the Chartered Institute of Building, United Kingdom and is a member of both of the Hong Kong Institute of Business Management and the Hong Kong Construction Project Management Exchange Center.

Prior to joining the Company, Mr. Li has been a Director and a Project Director of various corporations, such as the previous China Guangzhou Construction (Group) General Company, Hsin Chong Construction Company Limited, Tian An China Investments Company Limited, ELDO International (Group) Limited and DCL Consultants Limited, etc. 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 25 years.

Ms. YUEN Wai Man, aged 32, joined the Company in May 2002 and is the qualified accountant and the Financial Controller of the Company. Ms. Yuen holds a degree of Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology and is an associate member of the Hong Kong Society of 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. Ms. Yuen has extensive experience in financial and general management.

Mr. XU Minluo, aged 47, 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. 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.

Ms. CHEN XIE Ying, aged 40, joined the Company in April 2003 and is the Internal Audit Manager of the Company. Ms. Chen holds a degree of Bachelor of Science in Biology from Zhongshan University and is a 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.

Mr. YEUNG Yau Choi, aged 51, joined the Company and was appointed as the General Manager of Enful Group in April 2003. Mr. Yeung holds a Bachelor's degree in Civil Engineering from Hua Chiao University and is a qualified Structure Engineer and Architect. He further completed his studies in corporate management and accounting in 1999 and 2001 respectively. Prior to joining the Company, Mr. Yeung has participated in many construction and property development projects in Hong Kong, the PRC and Macau. He has extensive experience in building and construction design, project supervision and corporate management.

Mr. SZETO Wai Hung, Augustine, aged 44, is the Managing Director of Jaeger Group. He holds a Bachelor's degree in Commerce from the University of New South Wales, Australia and a Master's degree in Business Administration from The University of Western Ontario. He is an associate member of The Institute of Chartered Accountants in Australia and a fellow member of the Hong Kong Society of Accountants. He joined Jaeger 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.

8. GENERAL

(a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The head office and principal place of business of the Company in Hong Kong is at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

(b) The principal registrar of the Company is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.

(c) The Hong Kong branch registrar of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The secretary of the Company is Miss Siu Tin Ho, an associate member of the Hong Kong Institute of Company Secretaries.

(e) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, except public holidays, up to and including 12 July 2004:—

(a) the memorandum of association and bye-laws of the Company;

(b) the 1st and 2nd Sale and Purchase Agreements and the material contracts disclosed above under the section headed "Material Contracts" in paragraph 6 of this appendix;

(c) the annual report of the Group for each of the two years ended 31 December 2002 and 2003, the text of which is set out on pages 43 to 82 in this circular;

(d) the accountants' report regarding SJQ issued by PricewaterhouseCoopers, the text of which is set out on pages 15 to 35 in this circular;

(e) the report issued by PricewaterhouseCoopers regarding the pro forma balance sheet, the text of which is set out on pages 36 to 39 in this circular; and

(f) the written consents referred to in the section headed "Experts" in paragraph 2 of this appendix.