THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 230)

MAJOR AND CONNECTED TRANSACTION
FORMATION OF THE JOINT VENTURE COMPANY
FOR A PROPERTY DEVELOPMENT PROJECT IN NANJING, THE PRC
INCLUDING
PROVISION OF FINANCING TO THE JOINT VENTURE COMPANY

Financial Adviser to ONFEM Holdings Limited

MANAGEMENT CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of ONFEM Holdings Limited

ACCESS
CAPITAL

A letter from the Independent Board Committee (as defined in this circular) is set out on pages 15 to 16 of this circular.

A letter from Access Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders (as defined in this circular), containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 17 to 29 of this circular.

24 May 2006

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"associate(s)"	has the meaning given to it in the Listing Rules
"Board"	the board of Directors
"Company"	ONFEM Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"connected person(s)"	has the meaning given to it in the Listing Rules
"controlling shareholder(s)"	has the meaning given to it in the Listing Rules
"Directors"	the directors (including the independent non-executive directors) of the Company
"Excess Loan"	29% (amounting to approximately RMB44,437,000 or HK$42,728,000) of the remaining amount of the Initial Financing of approximately RMB153,230,000 (approximately HK$147,337,000), being the Initial Financing of RMB180,000,000 (approximately HK$173,077,000) less the contribution from WODL of US$957,000 (approximately HK$7,465,000) and ONFEM SPV's share in funding the registered capital of the Project Company of US$2,343,000 (approximately HK$18,275,000)
"Further Financing"	the outstanding financing needs of the Project Company from time to time beyond the Initial Financing and financing from financial institutions that could be arranged by the Project Company or the registered capital of the Project Company, that has to be increased (in addition to the present initial registered capital of US$3,300,000 (approximately HK$25,740,000))
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent board committee of the Company comprising Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria, all of whom are independent non-executive Directors, which has been formed by the Board for the purpose of advising the Independent Shareholders in respect of the terms of the Transaction
"Independent Shareholders"	all Shareholders excluding any connected person with a material interest in the Transaction and any Shareholder with a material interest in the Transaction, and in this case, the Directors, to the best of their knowledge, information and belief and having made all reasonable enquiries, confirm that all Shareholders are independent from WODL and do not have a material interest in the Transaction
"Initial Financing"	the total financing of approximately RMB180,000,000 (approximately HK$173,077,000) before financing from financial institutions is expected to be arranged and made available to the Project Company, as estimated by ONFEM SPV and WODL, required by the Project Company to meet the full payment of the relevant land premium and other preliminary expenses, including the registered capital of the Project Company of US$3,300,000 (approximately HK$25,740,000)
"June Glory"	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Minmetals H.K. (Holdings) Limited as well as the controlling shareholder (as defined in the Listing Rules) of the Company directly and indirectly interested in approximately 53.95% of the issued share capital of the Company as of the Latest Practicable Date
"KIL"	Karman Industries Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

"Land"	the piece of land situated in Science Park, Jiangning District, Nanjing, the PRC (中國南京市江寧區科學園), and described as land No.2005G108 in the State Land Use Rights Transfer Contract (國有土地使用權出讓合同) entered into between ODCL and The Bureau of Land Resources, Jiangning Branch, Nanjing, Jiangsu Province, the PRC (中國江蘇省南京市國土資源局江寧分局) on 27 December 2005
"Latest Practicable Date"	19 May 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Ser"	Mr. Ser Kee Lee, elder brother of Mr. Tsui
"Mr. Tsui"	Mr. Tsui Ki Ting, younger brother of Mr. Ser
"ODCL" or "Joint Venture Company"	Oriental Dragon Construction Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company before completion of the Share Transfer. ODCL is currently owned as to 99.8% and 0.2% by KIL and SL (in trust for KIL) respectively, and as to 70.8%, 0.2% and 29% by KIL, SL (in trust for KIL) and WODL respectively after completion of the Share Transfer
"ONFEM SPV"	KIL and SL
"PRC"	the People's Republic of China, and for the purpose of this circular excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Project Company"	龍建(南京)置業有限公司 (Dragon Construction (Nanjing) Properties Company Limited), a company established on 5 January 2006 in the PRC and wholly-owned by ODCL
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Transfer"	the transfer of a 29% equity interest in ODCL from KIL to WODL pursuant to the terms and conditions of the Shareholders' Agreement

"Shareholder(s)"	holder(s) of the Shares
"Shareholders' Agreement"	the shareholders' agreement of ODCL dated 11 April 2006 entered into amongst ONFEM SPV, WODL and ODCL
"Shares"	shares of par value of HK$0.10 each in the issued share capital of the Company
"SL"	Stillpower Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the formation of the Joint Venture Company including the provision of the Excess Loan
"WODL"	World Ocean Development Limited, a company incorporated under the laws of Hong Kong with limited liability, which is owned as to: 26.67% by Mr. Tsui; 23.33% by Mr. Ser; 10% by Ms. Yau Man Chun, Mr. Tsui's wife; 15% by Mr. Tsui Fung, Jack, Mr. Tsui's son; 15% by Mr. Tsui Ngai, Stanley, Mr. Tsui's son; and 10% by Ms. Tsui Dan, Daphne, Mr. Ser's daughter
"working days"	days on which banks in Hong Kong are generally open for businesses (excluding Saturdays)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	percentage

Unless otherwise stated, the conversion of RMB and US$ into HK$ is based on the exchange rate of HK$1.00 = RMB1.04 and US$1.00 = HK$7.80 respectively. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.

ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 230)

Executive Directors:
Mr. ZHOU Zhongshu, *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

24 May 2006

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
FORMATION OF THE JOINT VENTURE COMPANY
FOR A PROPERTY DEVELOPMENT PROJECT IN NANJING, THE PRC
INCLUDING
PROVISION OF FINANCING TO THE JOINT VENTURE COMPANY**

1. INTRODUCTION

The Company announced on 11 April 2006 that ONFEM SPV entered into the Shareholders' Agreement with WODL and ODCL, pursuant to which ODCL will become the Joint Venture Company to undertake the property development on the Land through the Project Company. Upon completion of the Share Transfer, the equity interests in ODCL will be owned as to 71% by the Group and as to 29% by WODL.

The Transaction (formation of the Joint Venture Company including the provision of the Excess Loan) constitutes a major and connected transaction for the Company under the Listing Rules.

June Glory is the controlling shareholder of the Company directly and indirectly holding 416,585,852 Shares, representing approximately 53.95% of the issued share capital of the Company as of the Latest Practicable Date. June Glory is not (i) a party to the Shareholders' Agreement or (ii) an associate of (a) any party to the Shareholders' Agreement or (b) any shareholder of any party to the Shareholders' Agreement (save for June Glory's interests held through the Company) and does not have any material interest in the Transaction pursuant to Rules 2.15 and 2.16 of the Listing Rules. As such, June Glory will not be required to abstain from voting at a general meeting of the Company to approve the Transaction. Furthermore, no Shareholder will be required to abstain from voting at a general meeting of the Company to approve the Transaction. **The Company has obtained a shareholder's written approval from June Glory with respect to the resolution to approve the Transaction. In order to save time and costs in convening a general meeting, the Company has made an application to the Stock Exchange under Rules 14.44 and 14A.43 of the Listing Rules for a waiver from the requirement for the Transaction to be approved by the Shareholders in a general meeting and the Stock Exchange has granted such waiver accordingly.**

The purpose of this circular is to (i) provide the Shareholders with further details in relation to the Shareholders' Agreement; (ii) set out the advice from the Independent Board Committee to the Independent Shareholders; and (iii) set out the advice from Access Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction.

2. THE SHAREHOLDERS' AGREEMENT

Date

11 April 2006

Parties

(1) ONFEM SPV;

(2) WODL, a company with principal business activity of investment holding; and

(3) ODCL

Subject matter

The Shareholders' Agreement sets out, among other things, the transfer of a 29% equity interest in ODCL from KIL to WODL and how the Joint Venture Company shall be managed and operated, including the funding arrangements for the Joint Venture Company and the Project Company.

Background

On 21 December 2005, the Company entered into a non-binding letter of intent with Mr. Tsui and Mr. Ser in respect of the major terms relating to the bidding of and the joint development of the Land on a 71:29 basis. On the same date, through its indirect wholly-owned subsidiary, ODCL, the Company submitted a bid to acquire the land use rights of the Land at a price of RMB160,000,000 (approximately HK$153,846,000) in a public tender and such bid was awarded to ODCL on 23 December 2005.

On 5 January 2006, ODCL established the Project Company to acquire the legal title of the Land and undertake the property development project thereon. The Company had paid up the registered capital of the Project Company of US$3,300,000 (approximately HK$25,740,000). Mr. Tsui was appointed as one of the four directors of the Project Company upon its establishment.

As part of the negotiations amongst the Company, Mr. Tsui and Mr. Ser in relation to the bidding of and the joint development of the Land, it was intended that Mr. Tsui and Mr. Ser would form a joint venture with the Group through WODL which is owned by Mr. Tsui (together with his wife and sons) and Mr. Ser (together with his daughter), and WODL will own 29% equity interest in such joint venture. It is against this background that the Shareholders' Agreement was entered into amongst ONFEM SPV, WODL and ODCL. Pursuant to the Shareholders' Agreement, KIL will transfer 29% equity interest in ODCL to WODL for a cash consideration of HK$2,900. As a result, ODCL will become the Joint Venture Company owned as to 71% by the Group and as to 29% by WODL upon completion of the Share Transfer. ODCL will continue to be a subsidiary of the Company and its financial statements will continue to be consolidated into the Group's financial statements.

Business objectives of the Joint Venture Company and the Project Company

The Joint Venture Company is an investment holding company of the Project Company, the principal business of which will be property development on the Land.

Management of the Joint Venture Company and the Project Company

The board of directors of each of the Joint Venture Company and the Project Company will comprise four directors. ONFEM SPV and WODL will be entitled to nominate three directors and one director to each of the board of directors of the Joint Venture Company and the Project Company respectively. All major matters in relation to the property development project on the Land will be decided by the board of directors of the Joint Venture Company or the Project Company (as the case may be).

The Project Company will be managed by senior management nominated by ONFEM SPV and WODL respectively.

Estimated initial investment amount and funding arrangements of the Joint Venture Company and the Project Company

ONFEM SPV and WODL estimate that the Initial Financing would be amounted to approximately RMB180,000,000 (approximately HK$173,077,000). The Initial Financing will be provided by the Joint Venture Company by way of registered capital and shareholders' loans.

On 9 December 2005, the Company (on behalf of ONFEM SPV) received from WODL a sum of US$957,000 (approximately HK$7,465,000) in cash as the share of Mr. Tsui and Mr. Ser of the tender deposit for the Land pursuant to the negotiations of the above mentioned non-binding letter of intent between the Company and Mr. Tsui and Mr. Ser. Upon completion of the Share Transfer, such payment from WODL will be applied as the shareholder's loan from WODL to the Joint Venture Company in proportion to its equity interest in the Joint Venture Company for the purpose of funding the registered capital of the Project Company.

Pursuant to the Shareholders' Agreement, the remaining amount of the Initial Financing of approximately RMB153,230,000 (approximately HK$147,337,000), being the Initial Financing of RMB180,000,000 (approximately HK$173,077,000) less the contribution from WODL of US$957,000 (approximately HK$7,465,000) and ONFEM SPV's share in funding the registered capital of the Project Company of US$2,343,000 (approximately HK$18,275,000), will be provided solely by ONFEM SPV (and/or its specified company or companies) by way of shareholder's loans to the Joint Venture Company. As part of the negotiations amongst the Company, Mr. Tsui and Mr. Ser and under the Shareholders' Agreement, to provide security for the repayment of the Excess Loan by the Joint Venture Company to ONFEM SPV, WODL will pledge (or will procure Mr. Tsui, Mr. Ser and/or their respective spouses, children and/or the companies wholly-owned by one or more of the above individuals to pledge) to ONFEM SPV certain unencumbered properties (the "**Pledging Properties**"), which are acceptable to ONFEM SPV and with an aggregate acceptable value of not less than the Excess Loan. All of the Pledging Properties are real estate properties in Hong Kong.

According to the estimates made by the Project Company, the aforesaid shareholders' loans of approximately HK$7,465,000 due to WODL and approximately HK$165,612,000 due to ONFEM SPV by the Joint Venture Company are expected to be repaid in full by 2009 when phase 1 of the development of the Land is sold.

The Company has engaged RHL Appraisal Limited, independent property valuers, to assess the value of the Pledging Properties (which comprise five residential and two commercial properties) and according to the valuation conducted by RHL Appraisal Limited, the Pledging Properties were valued in aggregate at approximately HK$53,500,000 as of 31 March 2006.

The Project Company shall arrange financing from financial institutions to fund its financing needs beyond the Initial Financing. If financing from financial institutions is insufficient or if the registered capital of the Project Company has to be increased (in addition to the initial registered capital of US$3,300,000 (approximately HK$25,740,000)), ONFEM SPV and WODL may (and should in the case of an increase in the registered capital of the Project Company) provide funds to the Joint Venture Company by way of shareholders' loans in proportion to their respective equity interests in the Joint Venture Company to fund the Further Financing.

The Shareholders' Agreement also provides for the possibility of the Further Financing (except in the case of an increase in the registered capital of the Project Company) be provided solely by ONFEM SPV by way of shareholder's loans to the Joint Venture Company from time to time. In such case, WODL shall pledge (or shall procure Mr. Tsui, Mr. Ser and/or their respective spouses, children and/or the companies wholly-owned by one or more of the above individuals to pledge) to ONFEM SPV unencumbered asset(s) which are acceptable to ONFEM SPV and with an aggregate acceptable value of not less than the share of the relevant shareholder's loans in proportion to the then equity interest of WODL in the Joint Venture Company.

Pursuant to the Shareholders' Agreement, the Company can from time to time appoint property valuers to revalue the Pledging Properties and any other assets pledged by WODL (or procured to be pledged by WODL) to ONFEM SPV pursuant to the Shareholders' Agreement (the "**Total Pledging Assets**"), and if the revaluation amount of the Total Pledging Assets (the "**Total Pledging Assets Revaluation**") is below the aggregate amount of the valuation of the Total Pledging Assets at the respective time when such properties and/or assets were pledged to ONFEM SPV (the "**Total Pledging Assets Valuation**"), WODL agrees to, at the direction of ONFEM SPV, pledge (or procure Mr. Tsui, Mr. Ser and/or their respective spouses, children and/or the companies wholly-owned by one or more of the above individuals to pledge) to ONFEM SPV additional unencumbered assets(s) (the "**Additional Pledging Assets**"), which are acceptable to ONFEM SPV and with an aggregate acceptable value of not less than the difference between the Total Pledging Assets Valuation and the Total Pledging Assets Revaluation.

If the Joint Venture Company is not able to repay the portion of its outstanding shareholder's loan owing to ONFEM SPV as secured by the Total Pledging Assets and the Additional Pledging Assets (if any), ONFEM SPV is entitled to enforce such security to satisfy such portion of such outstanding shareholder's loan.

The shareholding structure of ODCL will be adjusted in proportion to the contributions (including shareholders' loans and acceptable value of assets pledged) of ONFEM SPV and WODL in ODCL if (i) in the case of the Further Financing (other than an increase in the registered capital of the Project Company), WODL is not able to provide shareholder's loans or to pledge (or to procure Mr. Tsui, Mr. Ser and/or their respective spouses, children and/or the companies wholly-owned by one or more of the above individuals to pledge) unencumbered asset(s) which are acceptable to ONFEM SPV, or (ii) in the case of an increase in the registered capital of the Project Company, WODL is not able to provide shareholder's loan, or (iii) WODL is not able to provide (or procure the provision of) the Additional Pledging Assets.

Since the amount of the Further Financing, if any, cannot be ascertained at the time of the execution of the Shareholders' Agreement, the Company will comply with the applicable disclosure and shareholders' approval requirements under the Listing Rules to the extent required when the amount of the Further Financing, if any, could be ascertained.

Conditions precedent

The Shareholders' Agreement is subject to the following conditions precedent:

(1) the Company shall obtain the approval of its Shareholders in a general meeting or a shareholders' written approval acceptable to the Stock Exchange for the Transaction in accordance with the Listing Rules; and

(2) WODL shall pledge or procure the pledge of the unencumbered properties to ONFEM SPV as described under the paragraph entitled "Estimated initial investment amount and funding arrangements of the Joint Venture Company and the Project Company" above.

Condition precedent (1) has been fulfilled. If condition precedent (2) is not fulfilled or waived on or before 15 June 2006 or a later date to be agreed by ONFEM SPV and WODL, the Shareholders' Agreement shall terminate, and none of the parties to the Shareholders' Agreement shall be entitled to the rights or required to perform the obligations under the Shareholders' Agreement, save as rights and remedies which have accrued prior to the termination of the Shareholders' Agreement.

Completion

Completion of the Share Transfer will take place within 10 working days of ONFEM SPV giving a written notice to WODL of the satisfaction and/or waiver of the conditions precedent above or such later date as ONFEM SPV and WODL may agree. Upon completion of the Share Transfer, KIL will transfer to WODL 2,900 ordinary shares in ODCL, representing 29% of the issued share capital of ODCL, at a consideration which equals the par value of HK$1 per share in ODCL. The Joint Venture Company has a paid-up capital of HK$10,000. The consideration for such transfer of HK$2,900 will be payable in cash by WODL at completion of the Share Transfer.

3. FURTHER INFORMATION OF THE LAND

The Land is a piece of raw land for residential use including ancillary commercial facilities. The total area of the Land is approximately 310,295.5 square metres with an estimated total gross floor area of approximately 237,665.4 square metres.

The Company has engaged RHL Appraisal Limited to value the Land and the Land was valued at RMB160,000,000 (approximately HK$153,846,000 as of 31 March 2006 (the valuation report dated 24 May 2006 is included in Appendix III to this circular).

As of the Latest Practicable Date, RMB112,000,000 (approximately HK$107,692,000) of the total land premium of the Land of RMB160,000,000 (approximately HK$153,846,000) was paid. The remaining balance of the land premium of the Land is expected to be paid on or before 30 May 2006. Upon full payment of such land premium, the land use rights certificate of the Land is expected to be issued at around July 2006.

4. SOURCE OF FUNDING

The investment to be made by ONFEM SPV in the Joint Venture Company will be funded by the Group's internal resources and borrowings from financial institutions. No decision has yet been made as to the split between the funding of the total investment by ONFEM SPV in the Joint Venture Company by way of internal resources and external borrowings. As of the Latest Practicable Date, through ONFEM SPV by way of shareholder's loans, the Group provided a total sum of financing of approximately HK$143,183,000, of which approximately HK$70,000,000 was funded by bank borrowings and approximately HK$73,183,000 was funded by the internal resources of the Group, to the Joint Venture Company. The remaining amount of the Initial Financing of approximately RMB153,230,000 (approximately HK$147,337,000) is expected to be fully financed by the Group, through ONFEM SPV by way of shareholder's loans, before or by around June 2006.

5. FINANCIAL EFFECTS

The investment of ONFEM SPV in the Joint Venture Company will be funded by the Group's internal resources and borrowings from financial institutions, which will increase the gearing of the Group. The formation of the Joint Venture Company has no material impact on the net assets of the Group.

The aforesaid increase in borrowings of the Group will increase the finance cost of the Group. However, since the shareholders' loans with respect to the Initial Financing will be provided by the Group to the Joint Venture Company and in turn to the Project Company at prevailing interest rate payable by the Project Company on loan of similar amount, duration and terms in the PRC and the finance cost will be capitalised during the course of development of the Land, accordingly the earnings of the Group will not be affected materially on a consolidated basis in this respect.

According to the audited financial statements of ODCL as at 31 December 2005, ODCL was in a net liability position of approximately HK$13,000 and its loss before and after tax for the year ended 31 December 2005 was approximately HK$1,051,000. Accordingly, the transfer of the 29% equity interest in ODCL to WODL for HK$2,900 will give rise to a gain of approximately HK$6,670 for the Group based on the audited net liability of ODCL as at 31 December 2005. Both of the audited loss before and after tax of ODCL for the year ended 31 December 2004 amounted to approximately HK$16,000. The Group intends to use such proceeds for general working capital purposes.

6. REASONS FOR AND BENEFITS OF ENTERING INTO THE SHAREHOLDERS' AGREEMENT AND PROVIDING THE EXCESS LOAN

The Group is principally engaged in real estate development, specialised construction, property leasing, manufacturing and trading and securities investment and trading businesses. As set out in the recent annual reports of the Company, the Group stated clearly that it would focus on property development as one of its principal businesses. The property development project on the Land is in line with the business objectives of the Group.

Mr. Tsui has extensive knowledge and experience in property development in the PRC and particularly in Nanjing. Mr. Tsui has managed and invested with his business partners in three residential property development projects in Nanjing, the PRC, of which one project has been completed and sold and the remaining two projects are in the selling phase (with units substantially sold). Mr. Tsui has also managed and invested with his business partners in two residential property development projects in Beijing, of which one is currently in the selling phase and the other one is in the planning stage. The management believes that Mr. Tsui is familiar with the local property market environment and has the business and personal network desirable for property development in Nanjing, the PRC, and that such attributes would be conducive to the development of the Land.

As a result of the negotiations with respect to the cooperation between Mr. Tsui and Mr. Ser on the one part and the Group on the other part, ONFEM SPV (or through its specified company or companies) has agreed to provide the Excess Loan to the Joint Venture Company. The Excess Loan, like other shareholders' loans provided to the Joint Venture Company, will be subject to an interest rate equivalent to prevailing interest rate on a loan of similar amount, duration and terms in the PRC.

The Directors confirm that the terms of the Shareholders' Agreement were determined after arm's length negotiations and on normal commercial terms and that the terms thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. CONNECTED AND MAJOR TRANSACTION AND WAIVER FROM REQUIREMENT OF HOLDING A GENERAL MEETING

Since Mr. Tsui was a director of the Project Company at the time the Shareholders' Agreement was entered into, he is a connected person of the Company by virtue of the fact that he is a director of a subsidiary of the Company. Furthermore, since Mr. Tsui and his associates are jointly the controlling shareholders of WODL, WODL is a connected person of the Company. As such, the joint venture arrangements between ONFEM SPV and WODL with respect to the Joint Venture Company including the provision of the Excess Loan constitutes a connected transaction for the Company under the Listing Rules. Save for the connection between Mr. Tsui and the Company and the relationships amongst Mr. Tsui and the remaining shareholders of WODL as mentioned above, the Directors, to the best of their knowledge, information and belief and having made all reasonable enquiries, confirm that the shareholders of WODL are independent third parties not connected with the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates. In addition, the Directors, to the best of their knowledge, information and belief and having made all reasonable enquiries, confirm that none of the shareholders of WODL holds any securities of the Company as of the Latest Practicable Date.

Based on the applicable size tests regarding the total capital commitment (including equity and loans) of the Group with respect to the Transaction, the relevant percentage ratio under Rule 14.07 of the Listing Rules exceeds 25% but is less than 75%. Accordingly, the Transaction also constitutes a major transaction for the Company under the Listing Rules.

The Transaction will therefore be subject to the approval by the Independent Shareholders and in a general meeting by poll under Chapter 14 and Chapter 14A of the Listing Rules.

June Glory is the controlling shareholder of the Company directly and indirectly holding 416,585,852 Shares, representing approximately 53.95% of the issued share capital of the Company as of the Latest Practicable Date. June Glory is not (i) a party to the Shareholders' Agreement or (ii) an associate of (a) any party to the Shareholders' Agreement or (b) any shareholder of any party to the Shareholders' Agreement (save for June Glory's interests held through the Company) and does not have any material interest in the Transaction pursuant to Rules 2.15 and 2.16 of the Listing Rules. As such, June Glory will not be required to abstain from voting at a general meeting of the Company to approve the Transaction. Furthermore, no Shareholder will be required to abstain from voting at a general meeting of the Company to approve the Transaction. **The Company has obtained a shareholder's written approval from June Glory with respect to the resolution to approve the Transaction. In order to save time and costs in convening a general meeting, the Company has made an application to the Stock Exchange under Rules 14.44 and 14A.43 of the Listing Rules for a waiver from the requirement for the Transaction to be approved by the Shareholders in a general meeting and the Stock Exchange has granted such waiver accordingly.**

The Independent Board Committee, comprising Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria, has been formed by the Board to advise the Independent Shareholders in respect of the Transaction. Access Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction.

8. PROSPECTS

As the overseas listed real estate development vehicle of China Minmetals Corporation, the Group will focus on developing its real estate development business in the PRC and at the same time actively seek high-potential projects in other industries. By so doing, the Group will be able to diversify its business and broaden its source of earnings, thus achieving the objective of "Expanding business, enhancing profits".

Starting in 2005, in order to identify appropriate real estate development projects, the Group conducted researches on residential and commercial real estate markets in major cities in the PRC, primarily in the Pearl River Delta region, followed by Beijing, Shanghai, Guangzhou and Nanjing as well as the peripheral areas such as the Yangtze River Delta region.

In 2005, macroeconomic austerity measures launched by the PRC Government were aimed at guiding the national real estate market onto a healthy development path. Demand for residential and commercial properties in the PRC remains. The Group is confident of its development in the PRC real estate market. The Directors believe that, major events such as the 2008 Olympics Games in Beijing, the 2010 World Expo in Shanghai, and the Asian Games in Guangzhou will bring about business opportunities for the Group's core businesses. Capitalising on the synergistic advantages among its subsidiaries, the Group is committed to providing customers with ever better quality products and services, and enhancing its overall performance and profitability. Furthermore, the Group will continue to strengthen its corporate governance and improve its corporate transparency so as to enhance its image.

9. INDEPENDENT ADVICE

Access Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction. Your attention is drawn to (i) the letter from the Independent Board Committee which is set out on pages 15 to 16 of this circular containing the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Transaction; and (ii) the letter from Access Capital Limited which is set out on pages 17 to 29 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction and the principal factors and reasons considered by Access Capital Limited in arriving at its recommendations.

Having taken into account the advice from Access Capital Limited and in particular the principal factors and reasons considered set out in the letter from Access Capital Limited, the Independent Board Committee considers that the terms of the Transaction are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the financial information of the Group, pro forma financial information of the Group, valuation report of the Land and the general information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
ONFEM Holdings Limited
Wang Xingdong
Managing Director

ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 230)

24 May 2006

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
FORMATION OF THE JOINT VENTURE COMPANY
FOR A PROPERTY DEVELOPMENT PROJECT IN NANJING, THE PRC
INCLUDING
PROVISION OF FINANCING TO THE JOINT VENTURE COMPANY**

We refer to the circular dated 24 May 2006 of the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Transaction and to advise the Independent Shareholders whether, in our opinion, the terms of the Transaction are fair and reasonable so far as the Independent Shareholders are concerned. Access Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 of the Circular which contains, inter alia, information about the Transaction, and the letter from Access Capital Limited set out on pages 17 to 29 of the Circular which contains its advice in respect of the terms of the Transaction and the additional information set out in the appendices to the Circular.

Having considered the reasons for and benefits of entering into the Shareholders' Agreement and considering the principal factors taken into account by Access Capital Limited in arriving at its opinion regarding the Transaction set out in the letter from Access Capital Limited on pages 17 to 29 of the Circular, we consider that the terms of the Transaction are fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Transaction if a special general meeting is held to approve the Transaction.

Yours faithfully,
For and on behalf of
Independent Board Committee

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

The following is the full text of the advice to the Independent Board Committee and the Independent Shareholders from Access Capital Limited prepared for incorporation in this circular.

ACCESS
CAPITAL

Suite 606
6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

24 May 2006

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
FORMATION OF THE JOINT VENTURE COMPANY
FOR A PROPERTY DEVELOPMENT PROJECT IN NANJING, THE PRC
INCLUDING
PROVISION OF FINANCING TO THE JOINT VENTURE COMPANY**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the formation of the Joint Venture Company including the provision of shareholder's loan equivalent to 29% of the remaining amount of the Initial Financing (the "**Transaction**"). Details of the Transaction are contained in the "Letter from the Board" set out in the circular to the Shareholders dated 24 May 2006 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As mentioned in the "Letter from the Board", since Mr. Tsui was a director of the Project Company at the time the Shareholders' Agreement was entered into, he is a connected person of the Company by virtue of the fact that he is a director of a subsidiary of the Company. Furthermore, since Mr. Tsui and his associates are jointly the controlling shareholders of WODL, WODL is a connected person of the Company. As such, the joint venture arrangements between ONFEM SPV and WODL with respect to the Joint Venture Company including the provision of the shareholder's loan of approximately

HK$42,728,000 to the Joint Venture Company constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Based on the applicable size tests regarding the total capital commitment (including equity and loans) of the Group with respect to the Transaction, the Transaction also constituted a major transaction of the Company under Chapter 14 of the Listing Rules.

The Transaction will therefore be subject to the approval by the Independent Shareholders in a general meeting of the Company by poll under Chapter 14 and Chapter 14A of the Listing Rules.

June Glory is the controlling shareholder of the Company, directly and indirectly, holding approximately 53.95% of the issued share capital of the Company as at the Latest Practicable Date with regard to the Transaction. As stated in the "Letter from the Board", June Glory is not (i) a party to the Shareholders' Agreement or (ii) an associate of (a) any party to the Shareholders' Agreement or (b) any shareholder of any party to the Shareholders' Agreement (save for June Glory's interests held through the Company) and does not have any material interest in the Transaction pursuant to Rules 2.15 and 2.16 of the Listing Rules. As such, June Glory will not be required to abstain from voting at a general meeting of the Company to approve the Transaction. Furthermore, no Shareholder will be required to abstain from voting at a general meeting of the Company to approve the Transaction.

As stated in the "Letter from the Board", the Company has obtained a shareholder's written approval from June Glory with respect to the resolution to approve the Transaction. In order to save time and costs in convening a general meeting of the Company, the Company has made an application to the Stock Exchange under Rules 14.44 and 14A.43 of the Listing Rules for a waiver from the requirement for the Transaction to be approved by the Shareholders in a general meeting and such waiver was granted by the Stock Exchange.

Although the requirement for the Transaction to be approved by the Shareholders in a general meeting of the Company is waived, the Company is required to establish an independent board committee (comprising the independent non-executive Directors) to advise the Independent Shareholders in respect of the Transaction and to publish a circular containing, among other things, details of the Transaction and the advice of the Independent Board Committee.

The Independent Board Committee, comprising Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria (all of whom are independent non-executive Directors), has been established to consider the Transaction and to advise the Independent Shareholders. We have been appointed by the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to give our opinion in relation thereof for its consideration in issuing its opinion to the Independent Shareholders.

II. BASIS AND ASSUMPTION OF THE ADVICE

In formulating our advice, we have relied principally on the statements, information, opinion and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the senior management of the Company. We have assumed that all such statements, information, assumptions, estimates, opinion and representations contained or referred to in the Circular or otherwise provided to us by the Company, the Directors and the senior management of the Company and for which they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have also assumed that all statements of belief, opinion and intention of the Board as set out in the "Letter from the Board" of the Circular and this letter have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company, the Directors and the senior management of the Company that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available under the present circumstances and have performed all necessary steps as required under Rule 13.80 of the Listing Rules, including the notes thereto, to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and the senior management of the Company, and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided (in particular with regard to the Land, the Pledging Properties (as defined below) and WODL), nor have we concluded an independent investigation into the business and affairs of the Company, or any of its subsidiaries.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Principal activities and business strategy of the Group

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

As stated in the annual reports of the Company for the year ended 31 December 2005, the Group would focus on property development as one of its principal businesses.

2. Background to, reasons for and benefits of the Transaction

a. Background to the Transaction

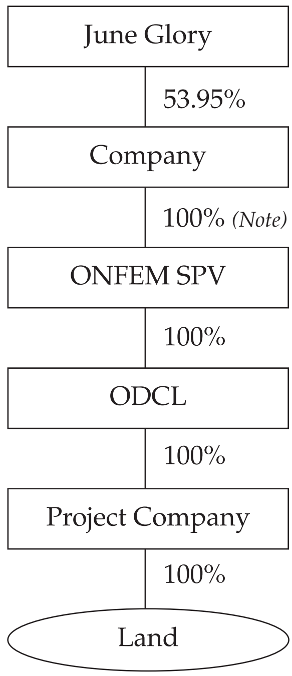
As stated in the "Letter from the Board", on 21 December 2005, the Company entered into a non-binding letter of intent with Mr. Tsui and Mr. Ser in respect of the major terms relating to the bidding for, and the joint development of, the Land on a 71:29 basis. On the same date, through its indirect wholly-owned subsidiary, ODCL, the Company submitted a bid to acquire the land use rights of the Land at a price of RMB160,000,000 (approximately HK$153,846,000) in a public tender and such bid was awarded to ODCL on 23 December 2005.

Also described in the "Letter from the Board", on 5 January 2006, ODCL established the Project Company to acquire the legal title of the Land and undertake the property development project thereon. The Company had paid up the registered capital of the Project Company of US$3,300,000 (approximately HK$25,740,000). Mr. Tsui was appointed as one of the four directors of the Project Company upon its establishment.

According to the Directors, as part of the negotiations amongst the Company, Mr. Tsui and Mr. Ser relating to the bidding of and the joint development of the Land, it was intended that Mr. Tsui and Mr. Ser would form a joint venture with the Group through WODL which is owned by Mr. Tsui (together with his wife and sons) and Mr. Ser (together with his daughter); WODL will own 29% equity interest in such joint venture. Hence, it was against this background that the Shareholders' Agreement was entered into amongst ONFEM SPV, WODL and ODCL.

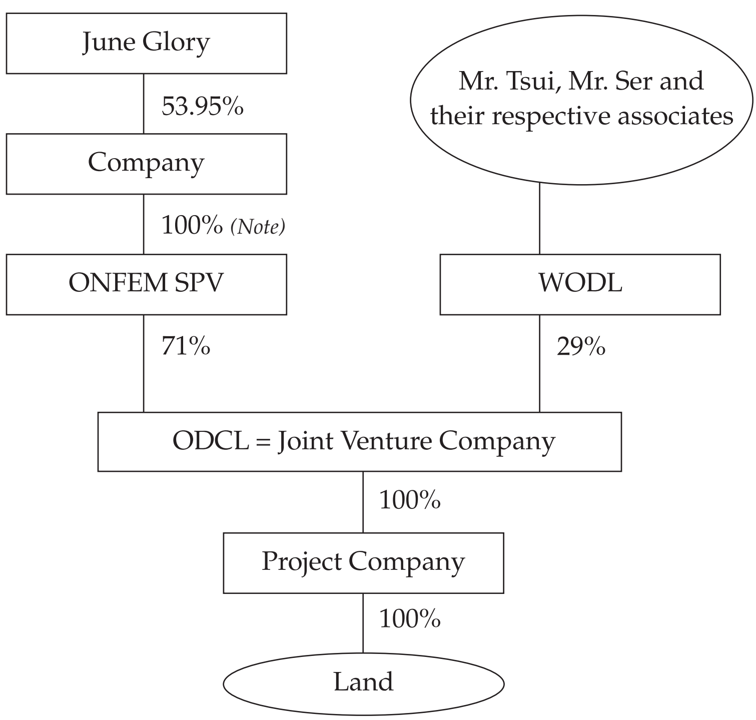
Pursuant to the Shareholders' Agreement, KIL will transfer a 29% equity interest in ODCL to WODL for a cash consideration of HK$2,900. As a result, ODCL will become the Joint Venture Company owned as to 71% by the Group and as to 29% by WODL upon completion of the Share Transfer.

Set out below is the shareholding structure of ODCL immediately prior to the Transaction:



Note: ONFEM SPV are indirectly wholly-owned by the Company.

Set out below is the shareholding structure of ODCL immediately upon completion of the Share Transfer:



Note: ONFEM SPV are indirectly wholly-owned by the Company.

b. Reasons for and benefits of the Transaction

In view of the demand for residential properties in the PRC (in particular, the Company noted the property market of the PRC still sustained a growth at the rate of 5% to 7% based on the national average property price in the first quarter of 2006) and in order to leverage the advantage of being an overseas listed subsidiary of China Minmetals Corporation engaged in real estate development business, the Company has stated that it would continue to explore opportunities (such as those projects which could not proceed due to shortage of funds) in property market in the PRC (namely in Beijing, Shanghai, the Pearl River Delta region and Nanjing). Taking into account the stated business strategy of the Group, we believe the acquisition of the Land and the property development thereon is in line with the business strategy of the Group (as mentioned in paragraph III. 1. above).

According to the "Letter from the Board", Mr. Tsui has extensive knowledge and experience in property development in the PRC and particularly in Nanjing, where he has managed and invested with his business partners in three residential property development projects, of which one project has been completed and sold and the remaining two projects have been substantially sold. Mr. Tsui has also managed and invested with his business partners in two residential property development projects in Beijing, of which one is currently in the selling phase and the other one is in the planning stage.

In view of the past experience of Mr. Tsui for property development in Nanjing, the management of the Company believes that such experience would be beneficial to the development of the Land. Hence, we are of the view that it is justifiable for ONFEM SPV, indirect wholly-owned subsidiaries of the Company, to form the Joint Venture Company with WODL, an investment holding company controlled by Mr. Tsui and Mr. Ser and their respective associates.

As a result of the negotiations with respect to the co-operation between Mr. Tsui and Mr. Ser on the one part and the Group on the other part, ONFEM SPV (or through its specified company or companies) has agreed to provide the shareholder's loan of approximately HK$147,337,000 to the Joint Venture Company. As stated in the "Letter from the Board", the aforesaid shareholder's loan like other shareholders' loans provided to the Joint Venture Company, will be subject to an interest rate equivalent to prevailing interest rates on a loan of similar amount, duration and terms in the PRC. In light of the co-operation, we believe that it is justifiable for ONFEM SPV to enter into the Shareholders' Agreement with WODL, and to agree to the transfer of 29% of the equity interest in ODCL from KIL to WODL so as to formalise (i) the formation of the Joint Venture Company; (ii) how the Joint Venture Company shall be managed and operated; and (iii) the funding arrangements for the Joint Venture Company and the Project Company.

3. Information of the Land and the development plan of the Project Company

The Land is a piece of raw land for residential use including ancillary commercial facilities. It is situated in Jiangning Science Park, Nanjing, the PRC (中國南京市江寧區科學園), and described as land no.2005G108 in the State Land Use Rights Transfer Contract (國有土地使用權出讓合同) entered into between ODCL and The Bureau of Land Resources, Jiangning Branch, Nanjing, Jiangsu Province, the PRC (中國江蘇省南京市國土資源局江寧分局) on 27 December 2005. The total area of the Land is approximately 310,295.5 square metres with an estimated total gross floor area of approximately 237,665.4 square metres.

According to the Directors, apart from the initial investment amount of approximately RMB180,000,000 (approximately HK$173,077,000) which will be financed both by internal resources and external borrowings of the Group and the resources of WODL, the balance of the financial requirement for the development costs for the Land will be funded by construction loans arranged by the Project Company.

4. Estimated initial investment amount and funding arrangements of the Joint Venture Company and the Project Company

ONFEM SPV and WODL estimate that, prior to financing from financial institutions being arranged and made available to the Project Company, the Project Company would require a total initial financing of approximately RMB180,000,000 (approximately HK$173,077,000) (the "**Initial Financing**") to meet the full payment of the relevant land premium and other preliminary expenses, including the registered capital of the Project Company of US$3,300,000 (approximately HK$25,740,000). The Initial Financing will be provided by the Joint Venture Company by way of registered capital and shareholders' loans.

As stated in the "Letter from the Board", on 9 December 2005, the Company (on behalf of ONFEM SPV) received from WODL a sum of US$957,000 (approximately HK$7,465,000) in cash as Mr. Tsui's and Mr. Ser's share of the tender deposit for the Land pursuant to the negotiations of the abovementioned non-binding letter of intent between the Company and Mr. Tsui and Mr. Ser. Upon completion of the Share Transfer, such payment from WODL will be applied as the shareholder's loan from WODL to the Joint Venture Company in proportion to its equity interest in the Joint Venture Company for the purpose of funding the registered capital of the Project Company.

Pursuant to the Shareholders' Agreement, the remaining amount of the Initial Financing of approximately RMB153,230,000 (approximately HK$147,337,000), will be provided solely by ONFEM SPV (and/or its specified company or companies) by way of shareholder's loan to the Joint Venture Company.

In sum, the following table sets out the funding arrangements of the Joint Venture Company for the Initial Financing:

	Amount contributed by WODL	**Amount contributed by ONFEM SPV**	**Total amount**
	HK$	*HK$*	*HK$*
Registered capital	7,465,000	18,275,000	25,740,000
Shareholders' loans	–	147,337,000	147,337,000
Total	7,465,000	165,612,000	173,077,000

As part of the negotiations between the Company, Mr. Tsui and Mr. Ser and under the Shareholders' Agreement, to provide security for the repayment of the 29% of the aforementioned remaining amount of the Initial Financing (approximately HK$42,728,000) by the Joint Venture Company to ONFEM SPV, WODL will pledge (or will procure Mr. Tsui, Mr. Ser and/or their respective spouses, children and/or the companies wholly-owned by one or more of the aforesaid individuals to pledge) to ONFEM SPV certain unencumbered properties (the "**Pledging Properties**"), which are acceptable to ONFEM SPV and with an aggregate acceptable value of not less than the 29% of the aforementioned remaining amount of the Initial Financing (approximately HK$42,728,000). All of the Pledging Properties are real estate properties in Hong Kong.

The Company has engaged RHL Appraisal Limited to assess the value of the Pledging Properties (which comprise of 5 residential properties and 2 commercial properties). Based on the independent valuation of the Pledging Properties conducted by RHL Appraisal Limited on 31 March 2006, the aggregate value of the Pledging Properties amounted to approximately HK$53,500,000.

We note that the shareholder's loan of approximately HK$42,728,000 (which is equivalent to 29% of the remaining amount of the Initial Financing) represents approximately 80% of the aggregate value of the Pledging Properties, which is a higher lending ratio than any mortgage loan for residential and commercial properties normally granted by banks or financial institutions in Hong Kong. Given that:

(i) the provision of the shareholder's loan of approximately HK$42,728,000 (which is equivalent to 29% of the remaining amount of the Initial Financing) will facilitate the payment of the land premium for the Land, and in turn, the development of the Land to proceed as scheduled;

(ii) the shareholder's loan of approximately HK$147,337,000 to the Joint Venture Company (including HK$42,728,000 which is equivalent to 29% of the remaining amount of the Initial Financing) is expected to be repaid in full by 2009 when phase 1 of the development of the Land is sold as estimated by the Project Company;

(iii) the valuation ascribes a market value to the Pledging Properties, based on the assumption that the Pledging Properties should be exchanged on the date of the valuation between a willing buyer and a willing seller;

(iv) the Company can from time to time appoint property valuers to revalue the Pledging Properties and any other assets pledged by WODL (or procured to be pledged by WODL) to ONFEM SPV (the "**Total Pledging Assets**") and if the revaluation amount of the Total Pledging Assets (the "**Total Pledging Assets Revaluation**") is below the aggregate amount of the valuation of the Total Pledging Assets at the respective time when such properties and/or assets were pledged to ONFEM SPV (the "**Total Pledging Assets Valuation**"), WODL agrees to, at the direction of ONFEM SPV, pledge (or procure Mr. Tsui, Mr. Ser and/or their respective spouses, children and/or the companies wholly-owned by one or more of the above individuals to pledge) to ONFEM SPV additional unencumbered asset(s), which are acceptable to ONFEM SPV and with an aggregate acceptable value of not less than the difference between the Total Pledging Assets Valuation and the Total Pledging Assets Revaluation; and

(v) in the event of default of the shareholder's loan of approximately HK$42,728,000 (which is equivalent to 29% of the remaining amount of the Initial Financing), the Company may enforce its security and dispose of the Pledging Properties to realise sufficient funds to recover the aforesaid shareholder's loan,

we are of the view that there are sufficient safeguards to protect the interests of the Company and the Shareholders to recover the shareholder's loan of approximately HK$42,728,000 (which is equivalent to 29% of the remaining amount of the Initial Financing) in full, and thus it is fair and reasonable for the Group to provide the aforesaid shareholder's loan to ODCL as contemplated under the Shareholders' Agreement.

5. Source of funding

The investment to be made by ONFEM SPV in the Joint Venture Company will be funded from the Group's internal resources and borrowings from financial institutions. As at the Latest Practicable Date, through ONFEM SPV by way of shareholders' loan, the Group provided a total sum of financing of approximately HK$143,183,000, of which approximately HK$70,000,000 was funded by bank borrowings and approximately HK$73,183,000 was funded by internal resources of the Group, to the Joint Venture Company.

The Project Company shall arrange financing from financial institutions to fund its financing needs beyond the Initial Financing. If financing from financial institutions is insufficient or if the registered capital of the Project Company has to be increased (in addition to the initial registered capital of US$3,300,000 (approximately HK$25,740,000)), ONFEM SPV and WODL may provide funds to the Joint Venture Company by way of shareholders' loans in proportion to their respective equity interests in the Joint Venture Company to fund the outstanding financing needs of the Project Company from time to time (the "**Further Financing**").

The Shareholders' Agreement also provides for the possibility of the Further Financing (except in the case of an increase in the registered capital of the Project Company) be provided solely by ONFEM SPV by way of shareholder's loans to the Joint Venture Company from time to time. In such case, WODL shall pledge (or shall procure Mr. Tsui, Mr. Ser and/or their respective spouses, children and/or the companies wholly-owned by one or more of the aforesaid individuals to pledge) to ONFEM SPV unencumbered asset(s) which are acceptable to ONFEM SPV and with an aggregate acceptable value of not less than the share of the relevant shareholder's loans in proportion to the then equity interest of WODL in the Joint Venture Company.

The shareholding structure of ODCL will be adjusted in proportion to the contributions (including shareholders' loans and acceptable value of assets pledged) of ONFEM SPV and WODL in ODCL if WODL is not able to provide shareholder's loans or to pledge (or to procure Mr. Tsui, Mr. Ser and/or their respective spouses, children and/or the companies wholly-owned by one or more of the aforesaid individuals to pledge) unencumbered asset(s) which are acceptable to ONFEM SPV as described above.

Taking into account the fact that:

(i) if the financing needs of the Project Company exceed the Initial Financing, ONFEM SPV has no obligation to provide financing (i.e. pursuant to the Shareholders' Agreement). However, in the event that ONFEM SPV chooses to do so in proportion to its equity interests in the Joint Venture Company, WODL has to provide financing in proportion to its equity interest in the Joint Venture Company;

(ii) WODL shall pledge (or shall procure Mr. Tsui, Mr. Ser and/or their respective spouses, children and/or the companies wholly-owned by one or more of the aforesaid individuals to pledge) to ONFEM SPV unencumbered asset(s) which are acceptable to ONFEM SPV and with an aggregate acceptable value of not less than the share of the relevant shareholder's loans in proportion to the prevailing equity interest of WODL in the Joint Venture Company if such share of the relevant shareholders' loans is provided by ONFEM SPV;

(iii) the shareholding structure of ODCL will be adjusted in proportion to the contributions (including shareholders' loans and acceptable value of assets pledged) of ONFEM SPV and WODL in ODCL if WODL is not able to provide shareholders' loan or to pledge sufficient unencumbered asset(s) which are acceptable to ONFEM SPV; and

(iv) the abovementioned arrangement for the provision of the Further Financing is to facilitate the development of the Land to proceed smoothly without any disruption,

we are of the view that there are sufficient safeguards to protect the interests of the Company and the Shareholders to provide the Further Financing, and thus it is fair and reasonable for the Group to include a clause in the Shareholders' Agreement to provide the Further Financing (as necessary) to the Project Company.

6. Possible financial effects to the Group resulting from the Transaction

The possible effects to the financial position of the Group as a result of the Transaction are as follows:

a. Net asset value

ODCL was incorporated on 10 June 1986. By means of a written resolution of all the shareholders of ODCL, the issued share capital was subdivided into 10,000 ordinary shares of HK$1.00 each. As mentioned in paragraph III. 2. b above, pursuant to the Shareholders' Agreement, KIL will transfer 29% equity interest in ODCL to WODL for a cash consideration of HK$2,900.

According to the audited financial statements of ODCL as at 31 December 2005, it was in a net liability position of approximately HK$13,000. Accordingly, the transfer of the 29% equity interest in ODCL to WODL for HK$2,900 will give rise to a gain of approximately HK$6,670 for the Group based on the audited net liability of ODCL as at 31 December 2005. Hence, the formation of the Joint Venture Company has no material impact on the net assets of the Group.

As stated in the "Letter from the Board", the Group intends to use such proceeds for general working capital purposes.

As described in the unaudited pro forma consolidated statement of the assets and liabilities of the Group combined with the Land being acquired (set out in Appendix II to the Circular), the formation of the Joint Venture Company and the acquisition of the Land will have no material impact on the net asset value of the Group.

b. Earnings

The investment of ONFEM SPV in the Joint Venture Company (including the financing for the Initial Financing) will be funded from the Group's internal resources and borrowings from financial institutions.

Assuming the Company will finance the remaining amount of Initial Financing of approximately HK$147,337,000 by means of borrowings at the interest rate of approximately 5.5% per annum (which is approximately the cost of fund currently incurred by the Company), the Company will incur an interest expense of approximately HK$8,100,000 per annum.

The aforesaid portion of Initial Financing will be provided as a shareholders' loan to the Joint Venture Company, and in turn, the Project Company. Such shareholders' loan will be provided at an interest rate which shall be equivalent to prevailing interest rate on a loan of similar amount, duration and terms in the PRC. Any interest expense incurred by the Project Company will be capitalised during the course of the development of the Land. Shareholders should note that the overall effects of the Transaction on the future earnings of the Group will depend on, amongst other matters, the return generated from the gross sales proceeds raised from the selling of the subject development of the Land as well as the different growth path of the various business operations of the Group.

c. Cash position and gearing

Based on the audited financial position of the Group as at 31 December 2005, the Group's gearing ratio (i.e. total borrowings to total equity) was approximately 10.5%.

Assuming the total equity remains unchanged since 31 December 2005 and the remaining amount of the Initial Financing of approximately HK$147,337,000 is solely financed by bank borrowings, the gearing ratio of the Group will increase to approximately 35.1%. Given that the Group's additional borrowing for the Transaction could be implied as backed by the Pledging Properties and the Company's indirect interest in the Land, we are of the view that such gearing level is manageable and acceptable to the Group.

Pursuant to the Shareholders' Agreement, if the financing needs of the Project Company exceed the Initial Financing, ONFEM SPV has no obligation to provide financing. However, in the event that ONFEM SPV chooses to do so in proportion to its equity interests in the Joint Venture Company, WODL has to provide financing in proportion to its equity interest in the Joint Venture Company. Accordingly, if the Company has to further borrow from financial institutions to fund its investment in the Joint Venture Company, and assuming the total equity remains unchanged since 31 December 2005, the gearing of the Group will be further increased. According to the Company, the Project Company has already approached several banks with an intention to self finance the entire construction loan and has received positive indication. There is no firm commitment yet as at the Latest Practicable Date.

Based on the audited financial position of the Group as at 31 December 2005, the Group has cash and bank deposits (excluding pledged deposits) amounting to approximately HK$143,347,000. Assuming the remaining amount of the Initial Financing of approximately HK$147,337,000 is solely financed by bank borrowings and the other subsidiaries/business of the Group can self-finance their operation through their internal resources or banking facilities and no major capital expenditure or financial assistance is expected to be required from the Company, the Group will be able to preserve its cash position for other usage in the future and we believe (on this basis) the cash position of the Group will not be adversely affected by the Transaction.

IV. OPINION

Having considered the above factors, in particular, taking into account (i) reasons for and benefits of the Transaction (which are in line with the Group's strategy); (ii) the estimated initial investment amount and funding arrangements of the Joint Venture Company and the Project Company (which is acceptable and manageable by the Group); (iii) there are sufficient safeguards to protect the interests of the Company and the Shareholders to provide the shareholder's loan of approximately HK$42,728,000 (which is equivalent to 29% of the remaining amount of the Initial Financing) and the Further Financing; and (iv) there will be no material adverse impact on the net assets or profitability or cash position of the Group (apart from the fact that the gearing ratio of the Group will increase from approximately 10.5% to approximately 35.1% assuming the remaining amount of the Initial Financing of approximately HK$147,337,000 is solely financed by bank borrowings, but such level is still manageable and acceptable to the Company), we are of the view that the terms of the Transaction (i.e. the formation of the Joint Venture Company including the provision of the shareholder's loan of approximately HK$42,728,000 (which is equivalent to 29% of the remaining amount of the Initial Financing)) are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to give the same opinion to the Independent Shareholders.

Yours faithfully,
For and on behalf of
Access Capital Limited
Jeanny Leung
Managing Director

A. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2003, 2004 and 2005, as extracted from the relevant annual reports of the Company.

From 1 January 2005, all Hong Kong Statements of Standard Accounting Practice ("**HKSSAPs**") and interpretations have been withdrawn and replaced by a number of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("**new HKFRSs**").

The Group prepared its financial statements for the year ended 31 December 2003 in accordance with HKSSAPs. For the purpose of this summary, the figures as at and for the year ended 31 December 2003 have not been restated. As disclosed in the 2005 annual report of the Company set out in part B of this appendix, the Group adopted new HKFRSs for the year ended 31 December 2005 and the 2004 comparatives have been restated as required. These restated figures have been adopted for the purpose of this summary.

Results

	Year ended 31 December		
	2005	**2004**	**2003**
	HK$'000	*HK$'000* *(restated)*	*HK$'000*
Turnover	231,322	86,605	160,941
Operating profit/(loss)	25,090	87,576	(32,334)
Finance costs	(583)	(1,385)	(4,860)
Profit/(loss) before tax	24,507	86,191	(37,194)
Income tax	3,642	(1,082)	(95)
Profit/(loss) for the year	28,149	85,109	(37,289)
Profit/(loss) attributable to:			
Equity holders of the Company	28,149	85,109	(35,739)
Minority interests	–	–	(1,550)

Financial Position

	As at 31 December		
	2005	**2004**	**2003**
	HK$'000	*HK$'000* *(restated)*	*HK$'000*
Non-current assets	309,788	286,360	252,196
Current assets	528,647	449,093	524,806
Total assets	838,435	735,453	777,002
Capital and reserves attributable to equity holders of the Company	600,034	561,060	474,707
Minority interest	–	–	30,778
Total equity	600,034	561,060	505,485
Non-current liabilities	7,325	7,039	6,409
Current liabilities	231,076	167,354	265,108
Total liabilities	238,401	174,393	271,517
Total equity and liabilities	838,435	735,453	777,002

B. EXTRACT OF FINANCIAL STATEMENTS

Set out below are the audited financial statements and notes to the financial statements of the Group for the year ended 31 December 2005, which are the reproduction of pages 40 to 102 of the 2005 annual report of the Company.

Consolidated Income Statement
For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (restated)
Turnover	5	231,322	86,605
Cost of sales		(174,012)	(42,830)
Gross profit		57,310	43,775
Other income	6	10,317	3,024
Selling and distribution costs		(11,752)	(12,370)
Administrative expenses		(43,761)	(31,411)
Other operating expenses		(2,220)	(2,930)
Revaluation gain on investment properties	15	15,196	23,633
Provision for properties under development		–	(25,000)
Gain on deconsolidation of subsidiaries		–	78,707
Write-back of provision for a bank guarantee		–	10,148
Operating profit	7	25,090	87,576
Finance costs	9	(583)	(1,385)
Profit before tax		24,507	86,191
Income tax	10	3,642	(1,082)
Profit for the year		28,149	85,109
Attributable to:			
Equity holders of the Company	11	28,149	85,109
Earnings per share for profit attributable to equity holders of the Company during the year *(expressed in HK cents)*			
– basic and diluted	12	3.65	11.02
Dividends	13	–	–

Consolidated Balance Sheet
As at 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	14	15,346	10,173
Investment properties	15	239,899	229,890
Leasehold land and land use rights		–	2,839
Goodwill	16	19,383	11,491
Available-for-sale financial assets/ Non-trading securities	18	29,340	28,440
Deferred tax assets	26	932	932
Retention receivables	21	4,539	879
Other assets		349	1,716
		309,788	286,360
Current assets			
Inventories	19	214,796	202,491
Trade and other receivables	20	161,982	83,490
Gross amounts due from customers for contract work	21	744	1,684
Financial assets at fair value through profit or loss/Trading securities	22	2,778	2,489
Pledged deposits	28	5,000	38,100
Cash and bank deposits	23	143,347	120,839
		528,647	449,093
Total assets		838,435	735,453

	Note	2005 HK$'000	2004 HK$'000 (restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	77,218	77,218
Reserves	25	522,816	483,842
Total equity		600,034	561,060
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	26	105	105
Other liabilities		7,220	6,934
		7,325	7,039
Current liabilities			
Trade and other payables	27	157,600	108,566
Gross amounts due to customers for contract work	21	–	810
Current tax payable		10,382	14,847
Short-term borrowings	28	63,094	43,131
		231,076	167,354
Total liabilities		238,401	174,393
Total equity and liabilities		838,435	735,453
Net current assets		297,571	281,739
Total assets less current liabilities		607,359	568,099

Balance Sheet
As at 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	17	547,582	496,309
Other assets		–	1,312
		547,582	497,621
Current assets			
Other receivables	20	1,002	1,052
Pledged deposits	28	5,000	9,500
Cash and bank deposits	23	49,976	75,457
		55,978	86,009
Total assets		603,560	583,630
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	77,218	77,218
Reserves	25	505,027	503,682
Total equity		582,245	580,900
LIABILITIES			
Current liabilities			
Other payables	27	21,315	2,730
Total liabilities		21,315	2,730
Total equity and liabilities		603,560	583,630
Net current assets		34,663	83,279
Total assets less current liabilities		582,245	580,900

Consolidated Statement of Changes in Equity
For the year ended 31 December 2005

	2005 *HK$'000*	2004 *HK$'000*
Balance at 1 January, as previously reported as equity	561,165	474,707
Reclassification of minority interest as part of equity *(see Note 2(a))*	–	25,033
Deferred tax arising from the revaluation of investment properties on the adoption of HK(SIC)-Int 21 *(see Note 2(a))*	(105)	–
Balance at 1 January, as restated before opening adjustment	561,060	499,740
Opening adjustment on derecognition of negative goodwill on the adoption of HKFRS 3 *(see Note 2(a))*	7,467	–
Balance at 1 January, as restated	568,527	499,740
Revaluation surplus of available-for-sale financial assets	900	–
Currency translation adjustments	2,458	2,247
Release of reserve upon liquidation of a subsidiary	–	(1,003)
Acquisition of additional interest in a subsidiary	–	(25,033)
Net increase/(decrease) in equity before profit for the year	3,358	(23,789)
Profit for the year, attributable to equity holders of the Company	28,149	85,109
Balance at 31 December	600,034	561,060

Consolidated Cash Flow Statement
For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (restated)
Operating activities			
Cash generated from/(used in) operations	30	1,182	(28,554)
Interest paid		(6,837)	(3,095)
Income tax paid		(823)	(977)
Net cash used in operating activities		(6,478)	(32,626)
Investing activities			
Purchase of property, plant and equipment		(3,993)	(3,606)
Proceeds from disposal of property, plant and equipment		7,426	480
Proceeds from disposal of leasehold land and land use rights		2,839	–
Dividends received		393	449
Interest received		2,358	2,383
Acquisition of additional interest in a subsidiary		–	(12,088)
Acquisition of a subsidiary, net of cash acquired		–	4,548
Deconsolidation of subsidiaries		–	(413)
Net cash generated from/(used in) investing activities		9,023	(8,247)
Financing activities			
New borrowings		61,991	2,152
Repayment of borrowings		(41,973)	(3,845)
Net cash generated from/(used in) financing activities		20,018	(1,693)
Increase/(decrease) in cash and cash equivalents		22,563	(42,566)
Cash and cash equivalents at 1 January		119,681	162,247
Cash and cash equivalents at 31 December	23	142,244	119,681

Notes to the Financial Statements

1. Organisation and operations

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

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

The financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. The financial statements have been approved for issue by the board of directors of the Company on 13 April 2006.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements and current year classification.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs

HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HK(SIC)-Int 27	Evaluating the Substance of Transaction Involving the Legal Form of a Lease
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

(i) The adoption of new/revised HKASs 1, 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 37, HK-Int 4, HK(SIC)-Ints 15 and 27 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest and other disclosures.

- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

- HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 27, 33, 37, HK-Int 4, HK (SIC)-Ints 15 and 27 have no material effect on the Group's accounting policies.

(ii) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights under operating leases from property, plant and equipment. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. If the lease payment for a lease of land and building cannot be allocated reliably between the land and building elements, the entire lease is classified as a finance lease and the leasehold land and building is stated collectively at cost less accumulated depreciation and accumulated impairment. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

(iii) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of trading and non-trading securities into financial assets at fair value through profit or loss and available-for-sale financial assets.

(iv) The adoption of revised HKAS 40 has resulted in a change in the accounting policy whereby the changes in fair value of investment properties are recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve while decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

(v) The adoption of revised HK(SIC)-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the basis of measurement was to assume that the carrying amount of that asset was expected to be recovered through sale.

(vi) The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective 1 January 2005, the Group expenses the cost of share options in the income statement. There is no impact on the prior year financial statements as the Group had no unvested share options outstanding as at 1 January 2005.

(vii) The adoption of HKFRS 3 and HKAS 36 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004,

– Goodwill was amortised on a straight-line basis over a period ranging from 5 to 15 years and assessed for an indication of impairment at each balance sheet date.

– Negative goodwill was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases, it was recognised in the income statement as those expected losses were incurred.

In accordance with the provisions of HKFRS 3:

– For previously recognised goodwill, the Group ceased amortisation from 1 January 2005 and the accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is an indication of impairment.

– For previously recognised negative goodwill, the carrying amount of negative goodwill at 1 January 2005 was derecognised, with a corresponding adjustment to the opening balance of retained earnings.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;

– HKAS 40 – since the Group has adopted the fair value model and disclosed publicly the fair value of the investment properties, the Group is encouraged, but not required, to adjust the opening balance of retained earnings for the earliest period presented for which such fair value was disclosed publicly, and to restate comparative information for those periods. The Group has chosen to restate the 2004 comparatives;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – applied prospectively after the adoption date, with any adjustment made to the retained earnings as at 1 January 2005.

The Group has not early adopted the following new standards or interpretations of HKFRS that have been issued but not yet effective. The adoption of such standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment):	Capital Disclosures
HKAS 19 (Amendment):	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosure
HKAS 21 (Amendment):	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKFRS 7:	Financial Instruments: Disclosures
HK(IFRIC)-Int 4:	Determining Whether an Arrangement Contains a Lease

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement *(see Note 2(j))*.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the revaluation reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

(i) Sales of completed properties

Sales of completed properties is recognised when title to the properties has passed to the purchaser.

(ii) Operating lease rental income

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

(iii) Contract revenue

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

(iv) Sales of goods

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

(v) Sales of securities investments

The accounting policy for sales of securities investments is set out in Note 2(l).

(vi) Dividend income

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

(vii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

(f) Leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(g) 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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

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

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(see Note 2(k))*.

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings.

Investment property is measured initially at its costs, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

(j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

(k) Impairment of assets

Assets are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(l) Investments in securities

The Group classifies its investments in securities, other than investments in subsidiaries, as financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from securities investment. The fair values of quoted investments are based on current bid prices.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(m) Inventories

(i) Manufacturing and trading

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(ii) Properties under development

Properties under development represent interests in land and buildings under construction.

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or re-development the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised as an expense immediately.

Properties under development 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, other direct development costs attributable to such properties, including borrowing costs capitalised *(see Note 2(g))*, and an appropriate proportion of overheads. Net realisable value is the anticipated sales proceeds estimated by the directors based on prevailing market prices, on an individual property basis, less estimated costs to completion and costs to be incurred in selling the property.

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(o) 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 are likely 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 revenues and costs to be recognised in a given period, and the stage of completion is measured by reference to the percentage of contract costs incurred to date to total estimated contract costs for the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(q) Share capital

Ordinary shares are classified as equity.

(r) Deferred tax

Deferred tax 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 financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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.

(s) 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 leaves are not recognised until the time of leave.

(ii) Pension obligations

Group companies participate in various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(t) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Provisions and contingent liabilities

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 the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(w) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Financial risk factors and management

The Group is exposed to foreign exchange, credit, liquidity and interest rate risks arising in its ordinary course of business. These risks are managed by the Group's financial management polices and practices as described below to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group invests substantially in the PRC and is exposed to foreign exchange risk with respect to Renminbi ("**RMB**"). Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. The expected appreciation of RMB will benefit the Group as a whole.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and it has no significant concentration of credit risk. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from borrowings which bear variable rates and expose the Group to cash flow interest rate risk. Considering all the Group's borrowings are short-term, repayable within one year, and the interest rate risk is not significant, the Group has not used any interest rate swaps to hedge its exposure.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing uncertainty to the carrying amounts of assets and liabilities are discussed below:

(a) Investment properties

CB Richard Ellis Limited were engaged to carry out an independent valuation of the Group's investment property portfolio as at 31 December 2005. This valuation was carried out in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors which defines market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion". The values of the Group's investment properties were derived by making reference to comparable sales evidences as available in the markets.

(b) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates *(Note 16)*.

(c) Fair value estimation of financial assets and liabilities

The fair value of financial instruments traded in active markets (such as available-for-sale financial assets) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(d) Construction contracts in progress

As explained in the accounting policy stated in Note 2(o), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and nature of the construction activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in Note 21 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(e) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Turnover and segment information

(a) Primary reporting format – business segments

In accordance with its internal financial reporting the Group has determined that business segments should be presented as the primary reporting format. In order to better align with the Group's business development, the grouping of different businesses under each business segment has been changed with prior year segment information reclassified for comparative purposes. As at 31 December 2005, the Group has categorised its businesses into the following segments:

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

Turnover during the year comprised the following:

	2005 HK$'000	2004 HK$'000
Revenue from provision of construction project management services	14,995	7,609
Revenue from specialised construction contracts	144,075	15,447
Gross rental and management fee income from investment properties	12,078	10,620
Sales of lubricant oil and chemical products	59,781	52,480
Dividend income from securities investment	393	449
	231,322	86,605

Segment revenue and result

	Real estate development		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Revenue												
Sales to external customers	14,995	7,609	144,075	15,447	12,078	10,620	59,781	52,480	393	449	231,322	86,605
Result												
Segment result	12,629	(13,374)	8,110	(7,338)	24,832	31,259	2,726	835	616	708	48,913	12,090
Gain on deconsolidation of subsidiaries											–	78,707
Write-back of provision for a bank guarantee											–	10,148
Unallocated costs											(23,823)	(13,369)
Operating profit											25,090	87,576
Finance costs											(583)	(1,385)
Income tax											3,642	(1,082)
Profit for the year											28,149	85,109

Unallocated costs represent corporate expenses and losses net of corporate income and gains.

Segment assets and liabilities

	Real estate development		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading		Total	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Assets												
Segment assets	350,839	253,817	128,687	74,969	249,954	236,058	23,855	22,722	32,127	31,177	785,462	618,743
Unallocated corporate assets											52,973	116,710
Total assets											838,435	735,453
Liabilities												
Segment liabilities	43,640	35,724	88,530	49,954	4,890	5,017	5,595	5,106	–	–	142,655	95,801
Unallocated corporate liabilities											95,746	78,592
Total liabilities											238,401	174,393

Segment assets consist primarily of property, plant and equipment, investment properties, goodwill, available-for-sale financial assets, inventories, receivables and operating cash. Segment liabilities comprise all operating liabilities.

Other segment information

	Real estate development		Specialised construction		Property leasing		Manufacturing and trading		Securities investment and trading	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	537	177	1,985	20	737	29	548	916	–	–
Depreciation	238	221	467	155	117	73	942	1,728	–	1
Amortisation of land lease premium	–	–	–	113	–	–	–	–	–	–
Revaluation gain on investment properties	–	–	–	–	15,196	23,633	–	–	–	–
Provision for properties under development	–	25,000	–	–	–	–	–	–	–	–
Impairment loss recognised in the income statement	–	–	–	88	–	–	–	1,798	–	–
Other non-cash expenses/(income)	–	–	–	997	–	567	(590)	386	(289)	(347)

Capital expenditure comprises additions to property, plant and equipment *(Note 14)*.

(b) Secondary reporting format – geographical segments

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

Hong Kong and Macau: Specialised construction, property leasing, manufacturing and trading, and securities investment and trading

The PRC: Real estate development, specialised construction, property leasing, and manufacturing and trading

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

	Hong Kong and Macau		The PRC		Other countries		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	24,549	16,483	206,378	69,765	395	357	231,322	86,605
Segment assets	297,031	291,152	488,431	327,578	–	13	785,462	618,743
Capital expenditure	1,118	2,645	2,875	961	–	–	3,993	3,606

6. Other income

	2005	2004
	HK$'000	*HK$'000*
Interest income from bank deposits	2,358	2,276
Interest income from loans to a deconsolidated subsidiary	–	107
Unrealised gain on financial assets at fair value through profit or loss/trading securities	289	347
	2,647	2,730
Investment income (excluding dividend income)		
Gain on disposal of property, plant and equipment	6,215	294
Others	1,455	–
	10,317	3,024

The investment income (including dividend income) from listed and unlisted investments for the year ended 31 December 2005 were HK$682,000 (2004: HK$796,000) and HK$2,358,000 (2004: HK$2,383,000) respectively.

7. Operating profit

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

	2005	2004
	HK$'000	*HK$'000*
Gross rental and management fee income from investment properties	(12,078)	(10,620)
Less: outgoings	2,150	2,185
	(9,928)	(8,435)
Depreciation	2,929	3,220
Less: depreciation capitalised into properties under development	(193)	(204)
	2,736	3,016
Amortisation of land lease premium	1,822	9,873
Less: amortisation capitalised into properties under development	(1,822)	(9,760)
	–	113
Operating lease charges – minimum lease payment in respect of land and buildings	4,441	3,894
Less: amount capitalised into properties under development	(324)	(260)
	4,117	3,634
Cost of inventories sold	33,586	27,245
Auditors' remuneration	1,620	1,660
Net foreign exchange gain	(1,533)	(1,129)
Impairment loss of other assets	1,312	–
Employee benefit expense *(Note 8)*	34,562	35,233
Other operating expenses arising from investment properties that did not generate rental income	70	745
Provision/(write-back of provision) for inventory obsolescence	398	(636)
Write-back of provision for impairment of receivables (a)	(5,300)	(9,295)

(a) An amount of approximately HK$1,585,000 (2004: HK$3,603,000), being the write-back of the provision for a loan to China Nonferrous Metals Group (Hong Kong) Limited ("**CNMG**"), a former intermediate holding company of the Company, is included in the write-back of provision for impairment of receivables. The said amount was received during the year from the liquidators of CNMG as interim dividends to the unsecured creditors of CNMG.

8. Employee benefit expense

	2005	**2004**
	HK$'000	*HK$'000*
Wages and salaries	33,950	34,248
Provision for unutilised annual leave	41	20
Write-back of provision for long service payment	–	(86)
Pension costs – defined contribution plans *(Note 29)*	571	1,051
	34,562	35,233

(a) Directors' emoluments

The remuneration of each director of the Company ("**Director**", collectively "**Directors**") for the year ended 31 December 2005 is set out below:

Name of Director	**Fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Employer's contributions to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lin Xizhong	–	–	–	–	–
Mr. Wang Xingdong	–	2,136	–	–	2,136
Mr. Yan Xichuan	–	1,300	–	60	1,360
Mr. Qian Wenchao	–	–	–	–	–
Ms. He Xiaoli	–	1,040	15	–	1,055
Mr. Lam Chun, Daniel	300	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	310
Ms. Tam Wai Chu, Maria	300	–	–	–	300
	910	4,476	15	60	5,461

The remuneration of each Director for the year ended 31 December 2004 is set out below:

Name of Director	**Fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Employer's contributions to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lin Xizhong	–	–	–	–	–
Mr. Wang Xingdong	–	2,136	82	–	2,218
Mr. Yan Xichuan	–	1,300	50	60	1,410
Mr. Qian Wenchao	–	–	–	–	–
Ms. He Xiaoli	–	1,040	46	–	1,086
Mr. Lam Chun, Daniel	300	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	310
Ms. Tam Wai Chu, Maria	300	–	–	–	300
	910	4,476	178	60	5,624

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 (2004: Nil) and no Directors have waived their emoluments in respect of their services to the Group for the year (2004: Nil).

(b) Five highest-paid individuals

The five highest-paid individuals in the Group for the year ended 31 December 2005 included three (2004: three) Executive Directors whose emoluments are disclosed in (a) above. Details of the emoluments of the remaining two (2004: two) individuals during the year are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	2,557	2,224
Bonuses	149	35
Employer's contributions to pension scheme	219	198
	2,925	2,457

The emoluments fell within the following bands:

	2005	**2004**
Nil to HK$1,000,000	1	1
HK$1,000,001 – HK$1,500,000	–	–
HK$1,500,001 – HK$2,000,000	1	1
	2	2

During the year, no emoluments were paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2004: Nil).

9. Finance costs

	2005	**2004**
	HK$'000	*HK$'000*
Bank loans and overdrafts		
Wholly repayable within five years	2,000	2,773
Other loans		
Wholly repayable within five years	4,837	316
Finance leases	–	6
	6,837	3,095
Less: borrowing costs capitalised into properties under development (a)	(6,254)	(1,710)
	583	1,385

(a) Borrowing costs were capitalised at a rate ranging from 5.58% to 5.74% (2004: 5.31% to 5.58%) per annum.

10. Income tax

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the year (2004: 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.

	2005	2004
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Over-provision in respect of prior years	(3,675)	–
Current tax – Overseas		
Provision for the year	653	977
Over-provision in respect of prior years	(620)	–
	33	977
Deferred tax		
Origination of temporary differences	–	105
	(3,642)	1,082

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2005	2004
	HK$'000	*HK$'000*
Profit before tax	24,507	86,191
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,351	15,841
Over-provision of income tax in respect of prior years	(4,295)	–
Income not subject to tax	(5,367)	(22,587)
Expenses not deductible for tax purposes	2,898	7,322
Utilisation of previously unrecognised tax losses	(1,229)	–
Unrecognised tax losses	–	506
Income tax (credit)/charges	(3,642)	1,082

The weighted average applicable tax rate was 17.8% (2004: 18.4%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

11. Profit attributable to equity holders of the Company

Consolidated profit attributable to equity holders of the Company includes a profit of approximately HK$1,345,000 (2004: HK$21,278,000) which has been dealt with in the financial statements of the Company.

12. Earnings per share

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company of approximately HK$28,149,000 (2004: HK$85,109,000) by the weighted average number of 772,181,783 ordinary shares (2004: 772,181,783 ordinary shares) in issue during the year.

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

13. Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2005 (2004: Nil).

14. Property, plant and equipment

(a) Movements in property, plant and equipment are as follows:

	Group					
	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004						
Cost	4,574	9,334	10,956	11,311	5,856	42,031
Accumulated depreciation and impairment	(1,604)	(8,108)	(8,530)	(9,788)	(4,782)	(32,812)
Net book amount	2,970	1,226	2,426	1,523	1,074	9,219
Year ended 31 December 2004						
Opening net book amount	2,970	1,226	2,426	1,523	1,074	9,219
Exchange differences	–	–	–	3	5	8
Additions	–	2,273	157	637	539	3,606
Transfer from investment properties	253	–	–	–	–	253
Transfer between categories	–	–	(227)	227	–	–
Acquisition of a subsidiary	–	–	–	88	–	88
Write-back of provision/ (provision) for impairment loss	493	–	–	(88)	–	405
Disposals	–	–	(61)	(73)	(52)	(186)
Depreciation	(62)	(1,533)	(510)	(506)	(609)	(3,220)
Closing net book amount	3,654	1,966	1,785	1,811	957	10,173

	Group					
	Leasehold land and buildings	Leasehold improve-ments	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2004						
Cost	4,827	9,355	7,585	5,476	4,767	32,010
Accumulated depreciation and impairment	(1,173)	(7,389)	(5,800)	(3,665)	(3,810)	(21,837)
Net book amount	3,654	1,966	1,785	1,811	957	10,173
Year ended 31 December 2005						
Opening net book amount	3,654	1,966	1,785	1,811	957	10,173
Exchange differences	–	3	114	10	6	133
Transfer from investment properties	5,187	–	–	–	–	5,187
Additions	–	759	882	1,448	904	3,993
Disposals	–	(8)	(739)	(460)	(4)	(1,211)
Depreciation	(88)	(1,372)	(457)	(588)	(424)	(2,929)
Closing net book amount	8,753	1,348	1,585	2,221	1,439	15,346
At 31 December 2005						
Cost	10,014	10,040	4,908	5,814	5,677	36,453
Accumulated depreciation and impairment	(1,261)	(8,692)	(3,323)	(3,593)	(4,238)	(21,107)
Net book amount	8,753	1,348	1,585	2,221	1,439	15,346

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

	2005	**2004**
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Long-term leases (over 50 years)	8,753	1,873
In the PRC, held on:		
Long-term leases (over 50 years)	–	1,781
	8,753	3,654

Leasehold land and buildings with carrying amounts of approximately HK$8,753,000 (2004: Nil) have been pledged as securities for bank borrowings *(Note 28(a))*.

15. Investment properties

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Balance at 1 January	229,890	206,510
Transfer to property, plant and equipment	(5,187)	(253)
Revaluation gain	15,196	23,633
Balance at 31 December	239,899	229,890

The investment properties were revalued at 31 December 2005 by CB Richard Ellis Limited, an independent firm of professional valuers. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties at their net book values are analysed as follows:

	2005	**2004**
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Long-term leases (over 50 years)	236,299	228,100
In the PRC, held on:		
Long-term leases (over 50 years)	3,600	1,790

Investment properties with carrying amounts of approximately HK$236,299,000 (2004: HK$215,000,000) have been pledged as securities for bank borrowings *(Note 28(a))*.

16. Goodwill

(a) Goodwill and negative goodwill arising from acquisitions are as follows:

	Goodwill	Group Negative Goodwill	Net
	HK$'000	HK$'000	HK$'000
At 1 January 2004			
Cost and net book amount	–	–	–
Year ended 31 December 2004			
Opening net book amount	–	–	–
Additions	20,275	(12,738)	7,537
Amortisation	(1,317)	5,271	3,954
Closing net book amount	18,958	(7,467)	11,491
At 31 December 2004			
Cost	20,275	(12,738)	7,537
Accumulated amortisation and impairment	(1,317)	5,271	3,954
Net book amount	18,958	(7,467)	11,491
Year ended 31 December 2005			
Opening net book amount, as previously reported	18,958	(7,467)	11,491
Opening adjustment on derecognision of negative goodwill *(see Note 2(a))*	–	7,467	7,467
Opening net book amount, as restated	18,958	–	18,958
Exchange differences	425	–	425
Closing net book amount	19,383	–	19,383
At 31 December 2005			
Cost	19,383	–	19,383
Accumulated amortisation and impairment	–	–	–
Net book amount	19,383	–	19,383

(b) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segment as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Specialised construction	19,383	18,958

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period.

The sale growth rate and discount rate used for value-in-use calculations are 5.00% and 5.58% respectively.

Management determined the sale growth rate based on past performance and its expectation for market development. The discount rate used is the cost of borrowings of the CGU.

17. Investments in subsidiaries

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted share investments, at cost	695,296	695,296
Less: provision for impairment in value	(695,296)	(695,296)
	–	–
Loans to subsidiaries (a)	51,423	51,928
Less: provision for loans to subsidiaries	(47,800)	(47,800)
	3,623	4,128
Amounts due from subsidiaries (b)	1,032,171	1,003,855
Less: provision for amounts due from subsidiaries	(488,212)	(511,674)
	543,959	492,181
	547,582	496,309

(a) Included in the loans to subsidiaries are loans to subsidiaries of approximately HK$47,800,000 (2004: HK$47,800,000) which are non-interest bearing. The remaining balances bear interest at commercial lending rates. All balances are unsecured and repayable on demand.

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

(c) The following is a list of the principal subsidiaries at 31 December 2005:

Name of subsidiary	Place of incorporation/ operations	Particulars of issued/ registered and paid up capital *(i)*	Percentage of equity Directly held by the Company	Percentage of equity Indirectly held by the Company	Principal activities
Best Pearl Development Limited	Hong Kong	1,000 shares of HK$1 each	–	100	Property investment
Brena Company Limited	Hong Kong	500,000 shares of HK$1 each	–	100	Provision of management services
Bright Circle Limited	Hong Kong	10,000 shares of HK$1 each	–	100	Property investment
Dongguan Bridgman Fire Doors Limited *(ii)*	PRC	RMB12,062,711	–	100	Manufacturing of fire proof doors

Name of subsidiary	Place of incorporation/ operations	Particulars of issued/ registered and paid up capital *(i)*	Percentage of equity Directly held by the Company	Percentage of equity Indirectly held by the Company	Principal activities
Eastrend (Hong Kong) Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Enful Engineering Limited	Hong Kong/ Hong Kong and PRC	100 shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	–	100	Selling and installation of fire proof materials and products
Enful Holdings Limited	British Virgin Islands/ Hong Kong and PRC	10,000 shares of US$1 each and 4 non-voting deferred shares of US$1 each	–	100	Investment holding
Full Pacific Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Geraldine Profits Limited	British Virgin Islands/ Hong Kong	1 share of US$1	–	100	Securities trading
Great Way Properties Limited	Hong Kong/ PRC	2 shares of HK$1 each	–	100	Property investment
Jaeger Development Limited	British Virgin Islands	1 share of US$1	–	100	Investment holding
Jaeger Oil & Chemical Company Limited	Hong Kong	10 shares of HK$100 each and 20,000 non-voting deferred shares of HK$100 each	–	100	Manufacturing and trading of lubricant oil and chemical products
Jaeger Oil & Chemical Holdings Limited	British Virgin Islands/ Hong Kong and PRC	100 shares of US$1 each	–	100	Investment holding
Linkcheer Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
ONFEM Company Limited	Hong Kong	2 shares of HK$1 each	–	100	Investment holding
ONFEM Finance Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	100	–	Provision of financing for other Group companies
ONFEM Investments Limited	British Virgin Islands/ Hong Kong	100 shares of US$10 each	100	–	Investment holding

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

(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 2005.

(ii) Dongguan Bridgman Fire Doors Limited ("Dongguan Bridgman") is a Sino-foreign equity joint venture established in the PRC with an initial operating period of 12 years up to 2005 and further extending to 2017, of which Bridgman Fire Doors (H.K.) Limited ("Bridgman HK"), a wholly owned subsidiary of the Company, is a joint venture partner. Pursuant to the terms as stipulated in the joint venture agreement, the Chinese joint venture partner is entitled to a fixed annual guaranteed distribution of RMB60,000 while Bridgman HK is entitled to share all the profit/loss of Dongguan Bridgman after deducting the distribution to the Chinese joint venture partner.

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

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

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

18. Available-for-sale financial assets/non-trading securities

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Balance at 1 January	28,440	28,440
Revaluation surplus transferred to equity *(Note 25)*	900	–
Balance at 31 December	29,340	28,440

Available-for-sale financial assets/non-trading securities include the following:

	2005	**2004**
	HK$'000	*HK$'000*
Equity securities:		
Listed in Hong Kong, at fair value	29,340	28,440
Unlisted, at cost	243,600	243,600
Less: provision for impairment in value	(243,600)	(243,600)
	–	–
	29,340	28,440

19. Inventories

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Manufacturing and trading stocks		
Raw materials	5,129	5,603
Work in progress	–	196
Finished goods	3,723	3,542
	8,852	9,341
Less: provision for inventory obsolescence	(2,759)	(2,361)
Manufacturing and trading stocks, net	6,093	6,980
Properties under development – located in the PRC	244,979	231,787
Less: provision for net realisable value	(36,276)	(36,276)
Properties under development, net (a)	208,703	195,511
	214,796	202,491

(a) Properties under development

	2005	2004
	HK$'000	*HK$'000*
Land use right	77,342	79,164
Construction in progress	131,361	116,347
	208,703	195,511

20. Trade and other receivables

	Group		Company	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and contract receivables, net (a)	83,170	31,672	–	–
Retention receivables *(Note 21)*	7,039	15,023	–	–
Deposits	52,242	25,374	650	652
Prepayments	876	910	324	387
Others	18,655	10,511	28	13
	161,982	83,490	1,002	1,052

(a) Trade and contract receivables, net

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	40,924	9,194
31 – 60 days	16,710	5,340
61 – 90 days	6,898	3,247
Over 90 days	34,027	33,148
	98,559	50,929
Less: provision for impairment of receivables	(15,389)	(19,257)
	83,170	31,672

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

The carrying amounts of trade and contract receivables are denominated in the following currencies:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Hong Kong dollar	13,135	11,591
RMB	40,253	9,952
United States dollar	29,782	10,129
	83,170	31,672

21. Construction contracts in progress

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Contract costs incurred plus attributable profits less foreseeable losses to date	112,699	20,773
Less: progress billings to date	(111,955)	(19,899)
	744	874
Included in current assets/(liabilities) under the following captions:		
Gross amounts due from customers for contract work	744	1,684
Gross amounts due to customers for contract work	–	(810)
	744	874

As at 31 December 2005, retentions held by customers for contract work included in non-current retention receivables of the Group and trade and other receivables of the Group under Note 20 amounted to approximately HK$4,539,000 (2004: HK$879,000) and HK$7,039,000 (2004: HK$15,023,000), respectively.

22. Financial assets at fair value through profit or loss/trading securities

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
At fair value:		
Equity securities listed in Hong Kong	2,778	2,489

23. Cash and cash equivalents

	Group		Company	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks	143,299	120,703	49,976	75,457
Cash on hand	48	136	–	–
Cash and bank deposits (a)	143,347	120,839	49,976	75,457
Bank overdraft *(Note 28)*	(1,103)	(1,158)	–	–
	142,244	119,681	49,976	75,457

(a) The carrying amounts of cash and bank deposits are denominated in the following currencies:

	Group		Company	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	25,900	67,459	5,569	39,511
RMB	72,970	17,355	–	–
United States dollar	44,433	36,025	44,407	35,946
Other currencies	44	–	–	–
	143,347	120,839	49,976	75,457

24. Share capital

	2005		2004	
	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 share option scheme under which the Directors may, at their discretion, invite any person who has contributed or will contribute to the Group to take up options at a nominal consideration of HK$10 for each lot of share options granted.

(i) Share options were granted on 15 March 2004 under the share option scheme and are exercisable during a three-year period commencing on the date of acceptance of the share options by each respective Director or employee, and shall expire at the end of the three-year period. As at 31 December 2005, the details of the share options granted and outstanding are as follows:

Category of participant	**Exercise period of share options**	**Exercise price** *HK$*	**Number of share options** *('000)*
Directors	16 March 2004 to 15 March 2007	0.83	12,000
Employees	17 March 2004 to 26 April 2007	0.83	8,100
			20,100

(ii) Movements in the number of share options outstanding of the above share options granted are as follows:

	2005 Number of share options *('000)*	2004 Number of share options *('000)*
Balance at 1 January	20,900	–
Granted	–	21,100
Lapsed	(800)	(200)
Balance at 31 December	20,100	20,900

25. Reserves

(a) Group

	Share premium *HK$'000*	Con-tributed surplus (c) *HK$'000*	Capital redemption reserve *HK$'000*	Available-for-sale financial assets revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Acc-umulated losses *HK$'000*	Total *HK$'000*
Balance at 1 January 2004	409,738	601,415	769	11,520	(1,601)	(624,352)	397,489
Currency translation adjustments	–	–	–	–	2,247	–	2,247
Release of reserve upon liquidation of a subsidiary	–	(1,003)	–	–	–	–	(1,003)
Profit for the year, as restated	–	–	–	–	–	85,109	85,109
Balance at 31 December 2004	409,738	600,412	769	11,520	646	(539,243)	483,842
Balance at 1 January 2005, as per above	409,738	600,412	769	11,520	646	(539,243)	483,842
Opening adjustment on derecognition of negative goodwill on the adoption of HKFRS 3 *(see Note 2(a))*	–	–	–	–	–	7,467	7,467
Balance at 1 January 2005, as restated	409,738	600,412	769	11,520	646	(531,776)	491,309
Currency translation adjustments	–	–	–	–	2,458	–	2,458
Revaluation surplus of available-for-sale financial assets	–	–	–	900	–	–	900
Profit for the year	–	–	–	–	–	28,149	28,149
Balance at 31 December 2005	409,738	600,412	769	12,420	3,104	(503,627)	522,816

(b) Company

	Share premium	Contributed surplus (c)	Capital redemption reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2004	409,738	575,220	769	(503,323)	482,404
Profit for the year	–	–	–	21,278	21,278
Balance at 31 December 2004	409,738	575,220	769	(482,045)	503,682
Profit for the year	–	–	–	1,345	1,345
Balance at 31 December 2005	409,738	575,220	769	(480,700)	505,027

(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 2005, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$95,289,000 (2004: HK$93,944,000).

26. Deferred tax

The movement on the deferred tax assets is as follows:

	Group 2005	2004
	HK$'000	*HK$'000*
Balance at 1 January	932	932
Recognised in the income statement	–	–
Balance at 31 December	932	932

The movement on the deferred tax liabilities during the year is as follows:

	2005	2004
	HK$'000	*HK$'000*
Balance at 1 January	105	–
Recognised in the income statement	–	105
Balance at 31 December	105	105

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2005, the Group had unrecognised tax losses in Hong Kong of approximately HK$215,180,000 (2004: HK$260,816,000) to carry forward against future taxable income, and these tax losses have no expiry date. In addition, the Group had unrecognised tax losses in the PRC of approximately HK$24,278,000 as at 31 December 2005 (2004: HK$26,588,000), and these tax losses will expire within 5 years.

27. Trade and other payables

	Group		Company	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade, bills and contract payables (a)	99,794	75,301	–	–
Retention payables	10,453	6,436	–	–
Accruals and other payables	38,459	24,804	3,078	2,730
Provisions (b)	–	–	18,237	–
Temporary receipts	7,699	103	–	–
Rental deposits received	1,195	1,922	–	–
	157,600	108,566	21,315	2,730

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

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
0 – 30 days	25,617	14,024
31 – 60 days	10,161	11,504
61 – 90 days	3,821	1,151
Over 90 days	60,195	48,622
	99,794	75,301

The carrying amounts of trade, bills and contract payables are denominated in the following currencies:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Hong Kong dollar	2,599	6,357
RMB	96,257	68,249
US dollar	568	509
Other currencies	370	186
	99,794	75,301

(b) Provisions

	Company	
	2005	**2004**
	HK$'000	*HK$'000*
Balance at 1 January	–	50,078
Provisions for the year	18,237	–
Payments	–	(28,459)
Unused amounts reversed	–	(21,619)
Balance at 31 December	18,237	–

The amount represents the provision made for corporate guarantees in respect of banking facilities extended to subsidiaries.

28. Short-term borrowings

	Group 2005	2004
	HK$'000	*HK$'000*
Bank overdrafts, secured *(Note 23)*	1,103	1,158
Bank term-loans, secured	13,936	35,247
Bank borrowings, secured (a)	15,039	36,405
Loan from a former minority investor	–	6,726
Loan from a fellow subsidiary, secured *(Note 33)*	48,055	–
	63,094	43,131

(a) Banking facilities

The Group's aggregate banking facilities, including bank borrowings, as at 31 December 2005 were approximately HK$194,685,000 (2004: HK$50,262,000), of which the unutilised facilities as at the same date amounted to approximately HK$176,011,000 (2004: HK$13,295,000). Securities for the facilities include:

(i) fixed deposits of the Group of approximately HK$5,000,000 (2004: HK$38,100,000), including that of the Company of approximately HK$5,000,000 (2004: HK$9,500,000);

(ii) investment properties and leasehold land and buildings with carrying amounts of approximately HK$236,299,000 (2004: HK$215,000,000) and HK$8,753,000 (2004: Nil) respectively; and

(iii) corporate guarantees given by the Company.

(b) All the short-term borrowings are on a floating interest rate basis. The effective interest rates at the balance sheet date were as follows:

	2005		2004	
	HK$	*RMB*	*HK$*	*RMB*
Bank overdrafts, secured	7.75%	–	5.00%	–
Bank term-loans, secured	–	5.58%	–	5.51%
Loan from a fellow subsidiary, secured	–	5.74%	–	–

(c) The carrying amounts of short-term borrowings approximate their fair values and are denominated in the following currencies:

	2005	2004
	HK$'000	*HK$'000*
Hong Kong dollar	1,103	1,158
RMB	61,991	41,973
	63,094	43,131

29. Pension obligations

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

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

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

The Group's contributions to the pension scheme and the MPF scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Forfeited contributions totalling HK$57,000 (2004: HK$61,000) were utilised during the year and there were no unutilised forfeited contributions available as at 31 December 2005.

As stipulated by rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local government. The Group is required to contribute to the plan at a rate ranging from 10% to 22% of the basic salary of the PRC employees in addition to contributions by employees at a rate of 8% of the basic salary as specified by the local government, and the Group has no further obligations for the actual payment of the pensions or post-retirement benefits beyond the annual contributions made.

30. Notes to the consolidated cash flow statement

Reconciliation of profit before tax to cash generated from/(used in) operations:

	2005	**2004**
	HK$'000	*HK$'000*
Profit before tax	24,507	86,191
Interest income	(2,358)	(2,383)
Interest expense	583	1,385
Depreciation	2,929	3,220
Amortisation of land lease premium	–	113
Amortisation of goodwill and negative goodwill	–	(3,954)
Revaluation gain on investment properties	(15,196)	(23,633)
Impairment loss of leasehold land and land use rights	–	1,798
Write-back of provision for impairment loss of property, plant and equipment	–	(405)
Gain on disposal of property, plant and equipment	(6,215)	(294)
Gain on deconsolidation of subsidiaries	–	(78,707)
Impairment loss of other assets	1,312	–
Provision for properties under development	–	25,000
Provision/(write-back of provision) for inventory obsolescence	398	(636)
Write-back of provision for impairment of receivables	(5,300)	(9,295)
Unrealised gain on revaluation of financial assets at fair value through profit or loss/trading securities	(289)	(347)
Write-back of provision for a bank guarantee	–	(10,148)
Dividend income from securities investment	(393)	(449)
Wavier of debt by a former minority investor	–	(3,051)
Operating loss before working capital changes	(22)	(15,595)
Increase in retention receivables, non-current portion	(3,660)	(272)
Decrease in other assets	55	22
Increase in inventories	(6,449)	(6,670)
Decrease in amount due from a fellow subsidiary	–	1
Decrease in amount due from a minority investor	–	37
Increase in trade and other receivables	(73,192)	(4,044)
Decrease in gross amounts due from/to customers for contract work, net	130	2,722
Decrease in pledged deposits	33,100	15,110
Decrease in amounts due to minority investors	–	(690)
Increase/(decrease) in trade and other payables	49,034	(22,304)
Increase in other liabilities	286	649
Exchange adjustments	1,900	2,480
Cash generated from/(used in) operations	1,182	(28,554)

31. Contingent liabilities

The Company had executed:

(a) corporate guarantees to various banks in respect of banking facilities extended to subsidiaries amounting to approximately HK$194,400,000 (2004: HK$21,600,000). As at 31 December 2005, the facilities utilised amounted to approximately HK$18,528,000 (2004: HK$1,452,000); and

(b) a letter of guarantee amounting to approximately HK$8,993,000 (2004: Nil) to an employer of a specialised construction contract undertaken by a subsidiary in respect of an advanced payment made by the employer to the subsidiary on such contract.

32. Commitments

(a) Capital commitments of the Group outstanding at 31 December 2005 were as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Contracted but not provided for in respect of property development	275,890	29,508

At 31 December 2005, the Company did not have any outstanding capital commitments (2004: Nil).

(b) At 31 December 2005, the Group had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Not later than one year	4,475	3,202
Later than one year and not later than five years	5,429	3,202
After five years	2,550	3,216
	12,454	9,620

At 31 December 2005, the Company did not have any operating lease commitments (2004: Nil).

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

At 31 December 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Not later than one year	11,226	9,382
Later than one year and not later than five years	5,828	7,919
	17,054	17,301

At 31 December 2005, the Company did not have any future lease receipts (2004: Nil).

33. Related party transactions

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

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

(a) Transactions with related parties

	2005 *HK$'000*	**2004** *HK$'000*
Construction project management service revenue from a fellow subsidiary *(Note (i))*	15,344	8,009
Specialised construction revenue from related companies *(Note (ii))*	30,206	9,682
Rental expenses and license fees paid to fellow subsidiaries *(Note (iii))*	1,354	968
Loan interest costs to a fellow subsidiary *(Note (iv))*	1,037	–
Advanced payment to a related company for a specialised construction contract *(Note (ii))*	2,632	–
Proceed from disposal of factory to a local government in the PRC *(Note (ii))*	10,133	–

(b) Balances with related parties

	2005 *HK$'000*	**2004** *HK$'000*
Contract receivable from a fellow subsidiary for construction project management services *(Note (i))*	2,562	–
Progress payment from a fellow subsidiary for construction project management services *(Note (i))*	–	810
Contract and other receivables from related companies for specialised construction contracts *(Note (ii))*	15,901	2,641
Contract payable to a related company for a real estate development project *(Note (ii))*	34,528	33,768
Contract and retention payables to a related company for a specialised construction contract *(Note (ii))*	22,540	5,138
Short-term loan from a fellow subsidiary *(Note (iv))*	48,055	–
Loan interest payable to a fellow subsidiary *(Note (iv))*	84	–

(c) Key management compensation

	2005 *HK$'000*	**2004** *HK$'000*
Salaries and short-term employee benefits	5,401	5,564
Pension costs – defined contribution plans	60	60
	5,461	5,624

Notes:

(i) Details of the construction project management agreement dated 29 July 2004 entered into between a subsidiary and a fellow subsidiary of the Company have been published in the Company's announcement dated 29 July 2004. The transaction constituted a connected transaction as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

(ii) As China Minmetals is a state-owned enterprise, the government of the PRC ("**PRC Government**") is considered as the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to China Minmetals, directly or indirectly controlled by the PRC Government are also considered as related parties of the Group. Since many state-controlled enterprises have multi-layered and diversified corporate structure and the structure may also change over time as a result of transfers and privatisation programmes, to balance the cost and benefit in making disclosure, the Group has only disclosed material transactions with such stated-controlled enterprises.

(iii) The transactions constituted continuing connected transactions as defined in the Listing Rules.

(iv) The short-term loan from a fellow subsidiary made on 24 August 2005, for working capital purposes to a subsidiary of the Company for a term of 6 months bearing interest at the rate of 5.74% per annum, is secured by a corporate guarantee from Minmetals HK. The transaction constituted a connected transaction as defined in the Listing Rules.

34. Events after the balance sheet date

On 11 April 2006, a shareholders' agreement was entered into amongst Karman Industries Limited ("**KIL**"), Stillpower Limited ("**SL**") (both are indirect wholly owned subsidiaries of the Company), World Ocean Development Limited ("**WODL**") and Oriental Dragon Construction Limited ("**ODCL**"), pursuant to which ODCL will become a joint venture company, owned as to 71% by the Company through KIL and SL and 29% by WODL, upon completion of the share transfer. ODCL, through Dragon Construction (Nanjing) Properties Company Limited ("**Project Company**"), its wholly owned subsidiary established in the PRC on 5 January 2006, undertakes a residential property development project in Nanjing.

It is estimated that before financing from financial institutions is available, the Project Company would require an initial financing of approximately RMB180,000,000 (approximately HK$173,077,000) to meet the full payment of the relevant land premium and other preliminary expenses, of which approximately RMB172,237,000 (approximately HK$165,613,000) will be provided by the Group as loans to ODCL, while WODL will provide loans of approximately RMB7,763,000 (approximately HK$7,464,000) to ODCL and, together with its associates, pledge properties with acceptable values of approximately RMB44,437,000 (approximately HK$42,728,000) as securities to the Group in exchange for its provision of WODL's share of financing to ODCL.

Further details of the above transaction have been set out in the Company's announcement dated 11 April 2006.

C. INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK$151,372,000, comprising secured bank overdrafts of approximately HK$1,039,000, secured trust receipt bank loans of approximately HK$626,000, secured short-term bank loans of approximately HK$70,864,000 and short-term loans from a fellow subsidiary of approximately HK$78,843,000 guaranteed by China Minmetals H.K. (Holdings) Limited, the intermediate holding company of the Company.

Save as aforesaid and apart from trade and other payables and other liabilities, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, and term loans, which are either guaranteed, unguaranteed, secured and/or unsecured, and other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, which are either guaranteed, unguaranteed, secured and/or unsecured, at the close of business on 31 March 2006.

Contingent liabilities

As at the close of business on 31 March 2006, the Group did not have any material contingent liabilities or guarantees.

Securities and charges

As at the close of business on 31 March 2006, the Group's aggregate banking facilities in respect of the short-term bank borrowings, were approximately HK$196,154,000, which were secured by pledged deposits of the Group of approximately HK$47,472,000; investment properties and leasehold land and buildings of the Group with carrying amounts of approximately HK$236,299,000 and HK$8,753,000 respectively; and corporate guarantees provided by the Company.

Save as disclosed above, the Group did not have any mortgages or charges at the close of business on 31 March 2006.

D. WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds and available banking facilities, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

The following unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2005 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Transaction as if it had taken place on 31 December 2005. The unaudited pro forma consolidated statement of assets and liabilities set out below has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2005 or at any future date.

The unaudited pro forma consolidated statement of assets and liabilities set out below is based on the audited consolidated balance sheet of the Group as at 31 December 2005 as extracted from the 2005 annual report of the Company and after making certain pro forma adjustments as set out below.

ONFEM Holdings Limited
Unaudited pro forma consolidated statement of assets and liabilities
As at 31 December 2005

	Consolidated statement of assets and liabilities of the Group as at 31 December 2005	Pro forma adjustments		Pro forma balances
	HK$'000	*HK$'000*	*Note*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	15,346			15,346
Investment properties	239,899			239,899
Goodwill	19,383			19,383
Available-for-sale financial assets	29,340			29,340
Deferred tax assets	932			932
Retention receivables	4,539			4,539
Other assets	349			349
	309,788			309,788
Current assets				
Inventories	214,796	135,288	*(a)*	375,084
		25,000	*(b)*	
Trade and other receivables	161,982	(25,000)	*(b)*	136,982
Gross amounts due from customers for contract work	744			744
Financial assets at fair value through profit or loss	2,778			2,778
Pledged deposits	5,000			5,000
Cash and bank deposits	143,347	(65,288)	*(a)*	78,062
		3	*(c)*	
	528,647			598,650
Total assets	838,435			908,438

	Consolidated statement of assets and liabilities of the Group as at 31 December 2005	Pro forma adjustments		Pro forma balances
	HK$'000	*HK$'000*	*Note*	*HK$'000*
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	77,218			77,218
Reserves	522,816	7	*(c)*	522,823
	600,034			600,041
Minority interest	–	(4)	*(c)*	(4)
Total equity	600,034			600,037
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	105			105
Other liabilities	7,220			7,220
	7,325			7,325
Current liabilities				
Trade and other payables	157,600	(7,465)	*(d)*	150,135
Loan from a minority investor	–	7,465	*(d)*	7,465
Current tax payable	10,382			10,382
Short-term borrowings	63,094	70,000	*(a)*	133,094
	231,076			301,076
Total liabilities	238,401			308,401
Total equity and liabilities	838,435			908,438
Net current assets	297,571			297,574
Total assets less current liabilities	607,359			607,362

Notes:

(a) The adjustment reflects the remaining payment of approximately HK$128,846,000 (RMB134,000,000) and transaction costs of approximately HK$6,442,000 (RMB6,700,000) in completing the acquisition of the Land. Of these amounts, HK$70,000,000 of bank borrowings have been drawn down as at the Latest Practicable Date.

(b) The adjustment reflects the reclassification of the initial deposit of approximately HK$25,000,000 (RMB26,000,000) in acquiring the Land from deposit to inventory upon completion of the acquisition.

(c) The adjustment reflects the disposal of a 29% shareholding in ODCL to WODL at HK$2,900 and the profit on disposal (based on the proportionate amount of net liabilities of ODCL).

(d) The adjustment reflects the reclassification of the shareholders' loan received by ODCL from WODL of USD957,000 (approximately HK$7,422,000) from other payables to loan from a minority investor.

(e) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2005.

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

The Directors
ONFEM Holdings Limited

24 May 2006

Dear Sirs,

We report on the unaudited pro forma consolidated statement of assets and liabilities of ONFEM Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 78 to 81 under the heading of "Pro Forma Financial Information of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's circular dated 24 May 2006, in connection with the proposed formation of the joint venture company for a property development project in Nanjing, the PRC including the provision of financing to the joint venture company (the "Circular"). The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the proposed transaction might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 78 to 81 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma 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") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma 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 Pro Forma 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 engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the consolidated statement of assets and liabilities of the Group as at 31 December 2005 with the audited consolidated balance sheet of the Group as at 31 December 2005 as shown in the audited consolidated financial statements of the Group for the year ended 31 December 2005, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2005 or at any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma 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 Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following report comprises the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited, independent valuers, in connection with its valuation of the Land as at 31 March 2006.

永利行評值顧問有限公司 | RHL Appraisal Ltd
Surveying Practices – Corporate Valuation and Property Consultancy
Lincense No.: C-015672

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24 May 2006

The Board of Directors
ONFEM Holdings Limited
18th Floor China Minmetals Tower
No. 79 Chatham Road South
Tsimshatsui Kowloon
Hong Kong

Dear Sirs,

Re: Lot no. 2005G108 situated at the junction of Xue Si Road and Xue Qi Road, Science Park, Jiangning District, Nanjing, the People's Republic of China

We refer to our appointment as the independent valuer of ONFEM Holdings Limited for a piece of land situated at the junction of Xue Si Road and Xue Qi Road, Science Park, Jiangning District, Nanjing, the People's Republic of China with lot no. 2005G108. Terms used in this report shall have the same meaning as those defined in the circular to the shareholders of the Company dated 24 May 2006 (the "**Circular**"), of which this report forms part.

In accordance with your instructions to value the Land in which the Company or its subsidiaries have interest, we confirm that we have carried out an inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Land as at 31 March 2006 (the "**date of valuation**").

Basis of Valuation

The valuation is our opinion of the market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's – length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Valuation Methodology

In valuing the Land, the "Direct Comparison Method" is adopted where comparison based on prices information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Assumptions

Our valuations have been made on the assumption that the owner sells the Land in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Land.

As the Land is held by the owner on long term land use rights, we have assumed that the owner has free and uninterrupted right to use the Land for the whole of the unexpired term of its land use rights. Vacant possession is assumed for the Land.

Other special assumptions in relation to the Land, if any, have been stated out in the footnotes of the valuation certificate for the Land.

Title Investigation

We have been, in some instances, provided with some title documents relating to the Land. However, we have not searched the original documents to verify ownership or to verify the existence of any lease amendments which do not appear on the copies handed to us. All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the Land set out in this report.

We have also relied on the legal opinion given by the PRC legal advisers, Shanghai City Development Law Firm, to the Company, on the relevant laws and regulations in the PRC and on the nature of the owner's interests in the Land as at the valuation date.

Limiting Conditions

No allowance has been made in this report for any charges, mortgages or amounts owing on the Land valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Land is free from encumbrances, restrictions, outstanding land premium and outgoings of an onerous nature, which could affect its value.

In valuing the Land, we have complied with all the requirements contained in Chapter 5 of the Listing Rules and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1 January 2005.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have carried out inspection of the Land. However, we must point out that we have not carried out site investigations to determine the suitability of the ground conditions or the services for the Land. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought and received confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

All monetary sums stated in this report are in Renminbi.

The valuation certificate is attached herewith.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Tse Wai Leung	**Sandra S.W. Lau**
BSc MFin MRICS MHKIS RPS(GP)	*MFin MHKIS AAPI RPS(GP)*
Director	*Director*

Mr. Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a registered professional surveyor in General Practice and a qualified real estate appraiser in the PRC. Ms. Sandra S. W. Lau is a member of the Hong Kong Institute of Surveyors, an associate of the Australian Property Institute and a registered professional surveyor in General Practice. Both of them are on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuers under the Hong Kong Business Valuation Forum and have over ten years' experience in valuation of properties in Hong Kong, Macau and the PRC.

VALUATION CERTIFICATE

Property held for future development

Property	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 31 March 2006**
Lot no. 2005G108 situated at the junction of Xue Si Road and Xue Qi Road, Science Park, Jiangning District, Nanjing, the PRC	The Land comprises a parcel of land covering a total area of 310,295.5 square metres of which developable site area accounting for 198,054.5 square metres. The remaining portion of the site is occupied by water ponds or is designated for traffic roads, green area and educational facilities. According to the land grant conditions of the Land, it is designated for residential use including ancillary commercial facilities. Material land grant conditions of the Land are set out in Note 2 below. The land use rights in the Land for residential use are held for a term of 70 years commencing from the issue date of the land use rights certificate to be issued for the Land.	The Land is currently a bare and vacant site.	RMB160,000,000

Notes:

1. Pursuant to a State Land Use Rights Transfer Contract entered into between The Bureau of Land Resources, Jiangning Branch, Nanjing, Jiangsu Province, the PRC (the "**Grantor**") and ODCL on 27 December 2005, the Grantor granted the land use rights in the Land to ODCL for residential use including ancillary commercial facilities at a consideration of RMB160,000,000 payable at the following payment terms:

Initial deposit payable upon signing of the State Land Use Rights Transfer Contract for the Land:	RMB26,000,000
On or before 12 January 2006:	RMB54,000,000
On or before 27 March 2006:	RMB32,000,000
On or before 27 April 2006:	RMB32,000,000
On or before 30 May 2006:	RMB16,000,000

As confirmed by the Company, a total sum of RMB112,000,000 has been paid as at the date of valuation.

2. As stated in the State Land Use Rights Transfer Contract for the Land, the Land is subject to the following material land grant conditions:

Maximum Plot Ratio	:	1.2 times
Build-over Area (Site Coverage)	:	not more than 25%
Building Height	:	not higher than 24 metres
Green Open Space	:	not less than 40% (at least one green area of not less than 5,000 square metres shall be provided)
Building Work Commencement	:	within one year upon issue of the land use rights certificate for the Land

3. PRC legal opinion on the Land is summarised as follows:

   3.1 The land grant procedures of the Land were in compliance with applicable laws in the PRC;

   3.2 The State Land Use Rights Transfer Contract for the Land is valid and enforceable;

   3.3 The Land is not encumbranced with any mortgage, charge and court foreclosure order; and

   3.4 ODCL/the Project Company shall obtain full and complete land use rights in the Land upon full payment of land premium and obtaining the land use rights certificate for the Land.

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.

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

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the Shares and underlying Shares or in the shares or underlying shares of 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, as recorded in the register kept by the Company pursuant to section 352 of the SFO, were as follows:

Long Position in Shares of the Company

(a) *Shares*

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

(b) Share options

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 *HK$*	Number of share options outstanding as at the Latest Practicable Date	Approximate percentage shareholding *(%)*
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

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 in the shares, underlying shares or debentures of any of its associated corporations (within the meaning of the SFO).

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESS

As at the Latest Practicable Date, (i) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, which is significant in relation to the business of the Group; (ii) none of the Directors and his/her respective associates had any competing interests (as would be required to disclose under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder); and (iii) none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group within the two years preceding the date of this circular and are material:

1. the conditional sale and purchase agreement dated 2 June 2004 entered into between Sino Wisdom Enterprises Limited ("**Sino Wisdom**") (an indirect wholly-owned subsidiary of the Company), Condo Engineering (China) Limited (in liquidation) ("**CEC**") and the liquidators of CEC in relation to the acquisition of a 90.39% equity interest in Shanghai Jin Qiao Condo Decoration Engineering Limited (上海金橋瑞和裝飾工程有限公司) ("**SJQ**") by Sino Wisdom for an aggregate consideration of HK$4,000,000; and

2. the conditional sale and purchase agreement dated 10 June 2004 entered into between Sino Wisdom and Shanghai Huayuan Aite Curtain Wall Company Limited (上海華源愛特幕牆工程有限公司) in relation to the acquisition of a 9.61% equity interest in SJQ by Sino Wisdom for an aggregate consideration of RMB1,170,000.

LITIGATION

1. On 13 March 2003, the Company commenced legal proceedings in Hong Kong (the "**Action**") against Mr. Yu Lap On Stephen ("**Mr. Yu**"), Mr. Ng Tze Kwan ("**Mr. Ng**") and Mr. Cheung Sui Keung ("**Mr. Cheung**"), as well as companies controlled by them (namely Turner Overseas Limited, Spirit Sunshine Inc. and Silver Lake Asia Corporation respectively) (collectively, the "**Defendants**"). Mr. Yu, Mr. Ng and Mr. Cheung are directors of CEC and Condo Curtain Wall Company Limited ("**CCW**"), both of which are in liquidation. 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 Management Limited 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 approximately 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 (the "**Court**") on 20 November 2003. The Company 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 filed a petition for a bankruptcy order against Mr. Yu on 15 April 2004, which petition was 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 filed a proof of debt on 12 July 2004 in the bankruptcy of Mr. Yu. The Company also applied for the examination of Mr. Cheung as to his assets, means and liabilities, and an order for examination was made by the Court on 5 May 2004. Meanwhile, Mr. Cheung filed a petition for a bankruptcy order against himself on 30 October 2004 and a bankruptcy order was made against Mr. Cheung by the Court on 30 November 2004. On 7 April 2005, a proof of debt was filed by the Company in the bankruptcy of Mr. Cheung. As of the Latest Practicable Date, no payment has been received from any of the Defendants.

2. 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, inter alia, the sum of HK$20,000,000 together with interest, 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. Mr. Ip filed and served his defence on 29 April 2003 and Jointstock and ICEA filed and served their defence on 14 May 2003. On 2 July 2003, an order (the "**Order**") was made by the Court to, inter alia, stay all further proceedings in the action against Mr. Cui until after the conclusion of the criminal trial in the District Court against Mr. Cui under District Court Criminal Case No. 383 of 2003 (the "**Criminal Action**"), which relates to certain transactions involved in the action. On 20 April 2004, the Criminal Action against Mr. Cui was withdrawn and as a result, the stay of proceedings in the action against Mr. Cui under the Order 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 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, which shall not be proceeded with 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. Lists of documents and witness statements had been filed by the parties (except Gold Light) who had also recently amended their respective claims and defences. The parties are preparing the case with a view to obtaining leave from the Court to set the case down for trial, but the trial date has not yet been fixed.

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.

3. 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 (the "**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 (the "**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 with China Railway be declared null and void.

   On 30 July 2004, the PRC court ordered that China Railway be evacuated from the construction site of the Project and such evacuation took place on 8 November 2004. In early 2005, the PRC court notified ZOBHP that all construction work of the Project could resume. The proceedings of the case are ongoing and no judgement has been made yet.

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

4. 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) ("**CO**") because PEL Board considered that PEL could not by reason of its enormous liabilities continue its business. On 12 July 2004, Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton were appointed as the joint and several liquidators of PEL at a creditors' meeting of PEL. The liquidation is on-going.

   On 7 July 2004, ONFEM Investments Limited ("**OIL**"), a wholly-owned subsidiary of the Company, filed a petition for the winding-up of Polycrown Engineering (Holdings) Limited ("**PEHL**") to the Court since PEHL had failed to meet a statutory demand in the sum of HK$2,151,000 issued by OIL on 28 May 2004. The Court ordered PEHL to be wound-up under the provisions of the CO on 11 August 2004. On 23 May 2005, Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton were appointed as the joint and several liquidators of PEHL. The liquidation is on-going.

   Further details of the transactions have been announced by the Company in its announcements dated 16 June 2004, 7 July 2004, 11 August 2004 and 7 June 2005, respectively.

On 2 November 2004, the Company filed a petition for a bankruptcy order against Mr. Leung Pok Ching ("**Mr. Leung**") who was a director of PEL and PEHL and has an attributable interest of 49% in PEHL. A bankruptcy order was made by the Court against Mr. Leung on 5 January 2005.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, the date to which the latest published audited financial statements of the Group were made up.

SENIOR MANAGEMENT'S PROFILE

Mr. Tsui of 20/F., Island Beverley, 1-5 Great George Street, Causeway Bay, Hong Kong, aged 72, was appointed as a director of the Project Company on 5 January 2006. Mr. Tsui is also the managing director of Beijing Wu Yi Real Estate Development Co., Limited, Nanjing Wu Yi Real Estate Development Co., Limited, Capital Wheel Investment Limited, WODL and Million Sense Consultants Limited.

Mr. Tsui graduated from the Harbin Industrial University in 1959. He had been employed as a structural engineer of T. Y. Lin (HK) Consulting Engineers Limited, a project engineer of Lee On Realty Co., Limited and a project manager of Beijing Shangri-La Hotel Limited. After that, he had worked for Carson Construction Co., Limited, the main contractor of the Heng Fa Chuen real estate development project, as a project manager for two years. Mr. Tsui has extensive knowledge and experience in property development in the PRC.

Mr. Tsui did not hold any directorships in listed public companies in the last three years. Save as disclosed above, he has no other connections with any Directors, senior management or substantial or controlling shareholders of the Company. He does not have any interests in the Shares within the meaning of Part XV of the SFO.

EXPERTS

The followings are the qualifications of the experts who have been named in this circular or have given their reports, opinions or advice which are contained in this circular:

Name	Qualification
Access Capital Limited	A licensed corporation permitted to engage in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities as set out in schedule 5 to the SFO
PricewaterhouseCoopers	Certified Public Accountants
RHL Appraisal Limited	Property valuers
Shanghai City Development Law Firm	PRC lawyers

Each of Access Capital Limited, PricewaterhouseCoopers, RHL Appraisal Limited and Shanghai City Development Law Firm has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report (as the case may be) prepared for the purpose of incorporation in this circular, and the references to its name and letter or report (as the case may be) in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of Access Capital Limited, PricewaterhouseCoopers, RHL Appraisal Limited and Shanghai City Development Law Firm had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of Access Capital Limited, PricewaterhouseCoopers, RHL Appraisal Limited and Shanghai City Development Law Firm had any direct or indirect interest in any assets which had been, since the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) 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, up to and including 7 June 2006.

1. the Company's memorandum of association and bye-laws;

2. a non-binding letter of intent entered into on 21 December 2005 between the Company, Mr. Tsui and Mr. Ser;

3. the Shareholders' Agreement;

4. the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this Circular;

5. the letter from Access Capital Limited, the text of which is set out on pages 17 to 29 of this circular;

6. the annual report of the Company for each of the two years ended 31 December 2004 and 31 December 2005;

7. the letter from PricewaterhouseCoopers on the unaudited pro forma consolidated statement of assets and liabilities of the Group, the text of which is set out in Appendix II to this circular;

8. the valuation report of the Land, the text of which is set out in Appendix III to this circular;

9. the legal opinion (in Chinese) dated 19 May 2006 prepared by Shanghai City Development Law Firm in respect of the Land referred to in the valuation report of the Land set out in Appendix III to this circular;

10. the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and

11. the written consents referred to under the section headed "Experts" in this appendix.

MISCELLANEOUS

1. The qualified accountant of the Company is Ms. YUEN Wai Man. Ms. Yuen is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

2. The secretary of the Company is Miss. SIU Tin Ho. Miss. Siu is a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

3. 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. The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.