



ONFEM HOLDINGS LIMITED

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

MAJOR TRANSACTION

PROPOSED ACQUISITION OF A 90.39% EQUITY INTEREST IN SHANGHAI JIN QIAO CONDO DECORATION ENGINEERING COMPANY LIMITED

Financial adviser to ONFEM Holdings Limited
CENTURION CORPORATE FINANCE LIMITED

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

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell, free from any Encumbrance, the 90.39% equity interest in SJQ, representing the entire interest held by the Vendor in SJQ, for an aggregate consideration of HK\$4 million. Completion is subject to the satisfaction of certain conditions, which are set out below in the sub-section headed "Conditions of the Sale and Purchase Agreement".

The consideration for the Acquisition will be satisfied in cash funded by internal resources of the Group.

The Acquisition constitutes a major transaction and is subject to the approval of the Shareholders. If a special general meeting is convened for approving the Acquisition, no Shareholder is required to abstain from voting. Written approval on the Acquisition has been obtained from June Glory, the 53.95% controlling Shareholder of the Company. The Company has applied to the Stock Exchange for a waiver from convening a special general meeting of the Company to approve the Acquisition. A circular will be despatched as soon as practicable to the Shareholders containing, among other things, further details of the Sale and Purchase Agreement, accountants' report on SJQ and financial information of the Group.

THE SALE AND PURCHASE AGREEMENT DATED 2 JUNE 2004

Parties to the Sale and Purchase Agreement

Vendor: Condo Engineering (China) Limited (in liquidation), a company incorporated in Hong Kong and put under liquidation pursuant to an Order made by the High Court of Hong Kong on 8 September 2003

Liquidators: Messrs. Desmond Chung Seng Chiong and Roderick John Sutton, each of Ferrier Hodgson Limited, as joint and several liquidators of the Vendor pursuant to an Order made by the High Court of Hong Kong on 24 December 2003

Purchaser: Sino Wisdom Enterprises Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company

Subject matter of the Sale and Purchase Agreement

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

Consideration

The aggregate consideration for the Acquisition is HK\$4 million, which will be entirely satisfied in cash funded by internal resources of the Group in the following manner:

- HK\$2 million upon the signing of the Sale and Purchase Agreement as an initial deposit which shall be refunded to the Company if any of the conditions set out below is not fulfilled on the Long Stop Date and consequently, the Sale and Purchase Agreement shall forthwith cease and terminate; and
- HK\$2 million upon completion of the Sale and Purchase Agreement.

The consideration is the bid price offered by the Company to, and accepted by, the Liquidators with reference to the US\$1,844,000 (or approximately HK\$14,383,000) contributed by the Vendor, the underlying financial position and business prospects of SJQ. For more details on SJQ's business prospects, please refer to the section headed "INFORMATION OF SJQ" below.

The Board considers that the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Sale and Purchase Agreement

The Sale and Purchase Agreement is conditional upon:

- obtaining by the Purchaser with the co-operation of the Vendor/Liquidators all necessary approvals and relevant certificates (including without limitation the new approval certificate and the new business license of SJQ, in which the scope of business remains unchanged) from the PRC governmental authorities in relation to the transfer of the 90.39% equity interest in SJQ by the Vendor to the Purchaser; and
- compliance with all regulatory requirements in Hong Kong and the PRC by the parties to the Sale and Purchase Agreement, including without limitation the various disclosure and Shareholders' approval requirements under the Listing Rules and/or regulations of any recognised stock exchange.

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

Completion

Completion shall take place within three Business Days following fulfillment of the conditions of the Sale and Purchase Agreement.

INFORMATION OF THE VENDOR

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

INFORMATION OF SJQ

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

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

The principal business of SJQ is the trading, installation and design of aluminium windows cases and curtain wall, which obtained a First Class Qualification Certificate and a Grade A Design Certificate in Curtain Wall Construction in the PRC. SJQ's current operations and projects are mainly in the eastern part of the PRC and in particular, Shanghai.

SJQ's unaudited net loss before and after taxation and extraordinary items for the year ended 31 December 2002 were both RMB28,707,356. For the year ended 31 December 2003, SJQ's unaudited net loss before and after taxation and extraordinary items were both RMB3,928,066. The decrease in such net losses for the year ended 31 December 2003 was mainly due to (i) a reduction in provisions of receivables and project costs; and (ii) improved profit margins for its overall operations. As at 31 December 2003, SJQ's unaudited net assets amounted to a deficit of RMB16,720,741.

SHAREHOLDING STRUCTURE OF SJQ

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

	Before Completion	Immediately after Completion
	Shareholding Percentage	Shareholding Percentage
Vendor*	90.39%*	—
Purchaser	—	90.39%
Huayuan	9.61%	9.61%
	<u>100.00%</u>	<u>100.00%</u>

(* Note : the Vendor is a 52% non wholly-owned subsidiary of the Company and this 90.39% interest in SJQ represents such shareholding directly owned by the Vendor only and not the beneficial interest of approximately 47% indirectly owned by the Company prior to Completion)

REASONS FOR THE ACQUISITION

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

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

Upon completion of the Sale and Purchase Agreement, the Company will have acquired both control and an equity interest of 90.39% in the registered capital of SJQ and as such, SJQ's financial accounts will once again, be consolidated into the consolidated accounts of the Group.

The Board believes that the Acquisition is in the interests of the Company and in line with the Group's overall business objective as (i) it enables the Group to further expand its specialised construction contracting business in the PRC via SJQ in order to enhance the Group's overall profitability,

after the Group has had a chance to improve the management of SJQ post Completion; and (ii) it allows the Group to grasp the considerable business opportunities as presented by the construction market in the PRC including opportunity arising from the Beijing Olympics 2008 and the Shanghai World Expo 2010.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes a major transaction under Chapter 14 of the Listing Rules as the revenue ratio of SJQ attributable to the Acquisition is in excess of the 25% threshold as set out under rule 14.08 of the Listing Rules and as such, the Acquisition is subject to the approval of the Shareholders in a special general meeting of the Company. The Acquisition is made through a bidding process organised by the Liquidators. The Acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As far as the Directors are aware, no Shareholder is interested in the Acquisition (other than interest as a Shareholder) and therefore if a special general meeting is convened for approving the Acquisition, no Shareholder is required to abstain from voting.

June Glory, being the controlling Shareholder, has given a written approval to the Company approving the Acquisition. Therefore, the Company has applied to the Stock Exchange for a waiver in respect of the requirement to convene a special general meeting to approve the Sale and Purchase Agreement on the basis that the written approval has already been obtained from the controlling Shareholder.

A circular will be despatched as soon as practicable to the Shareholders containing, among other things, further details of the Sale and Purchase Agreement, accountants' report on SJQ and financial information of the Group.

GENERAL

As at the date of this announcement, the Board comprises Mr. Lin Xizhong, Mr. Wang Xingdong, Mr. Yan Xichuan, Mr. Qian Wenchao and Ms. He Xiaoli, who are executive Directors, and Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria, who are independent non-executive Directors.

DEFINITIONS

"Acquisition"	the acquisition of the 90.39% equity interest in SJQ by the Purchaser from the Vendor for an aggregate consideration of HK\$4 million pursuant to the Sale and Purchase Agreement
"Board"	the board of Directors (including the independent non-executive Directors) of the Company
"Business Day"	a day (other than Saturday and Sunday) on which banks are generally open for business in Hong Kong
"Company"	ONFEM Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange
"Completion"	the completion of the Sale and Purchase Agreement
"Directors"	the directors of the Company
"Encumbrance"	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong Dollars, the lawful currency of Hong Kong from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huayuan"	Shanghai Huayuan Aite Curtain Wall Company Limited (上海華源愛特幕牆工程有限公司), a company incorporated in the PRC and currently holding 9.61% equity interest in SJQ. The owners of Huayuan are independent third parties and are not connected with the Directors, chief executive, substantial Shareholders of the Company or any of its subsidiaries or an associate of any of them
"June Glory"	June Glory International Limited, a company incorporated in the British Virgin Islands with limited liability and currently holding approximately 53.95% of the issued share capital of the Company. June Glory is a wholly-owned subsidiary of China Minmetals H.K. (Holdings) Limited, itself a wholly-owned subsidiary of China Minmetals Corporation, a State-owned enterprise in the PRC and managed by the State-owned Assets Supervision and Administration Commission of the State Council
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Liquidators"	Messrs. Desmond Chung Seng Chiong and Roderick John Sutton, each of Ferrier Hodgson Limited, as joint and several liquidators of the Vendor pursuant to an Order made by the High Court of Hong Kong on 24 December 2003
"Long Stop Date"	30 September 2004 (or such other date as may be agreed between the Purchaser, the Vendor and the Liquidators), being the last date on which the conditions set out in the Sale and Purchase Agreement are to be fulfilled
"PRC"	People's Republic of China (and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Purchaser"	Sino Wisdom Enterprises Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC from time to time
"Sale and Purchase Agreement"	the conditional sale and purchase agreement entered into between the Purchaser, the Vendor and the Liquidators in relation to the acquisition of a 90.39% equity interest in SJQ
"Shareholders"	holders of Share(s)
"Share(s)"	ordinary share(s) of HK\$0.10 each in the capital of the Company
"SJQ"	Shanghai Jin Qiao Condo Decoration Engineering Company Limited (上海金橋瑞和裝飾工程有限公司), a company incorporated in the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US\$"	United States Dollars, the lawful currency of the United States of America from time to time
"Vendor"	Condo Engineering (China) Limited (in liquidation), a company incorporated in Hong Kong and put under liquidation pursuant to an Order made by the High Court of Hong Kong on 8 September 2003, is a 52% indirect non wholly-owned subsidiary of the Company as it is 100%-owned by its parent company, Wellstep Management Limited, itself an indirect 52% non wholly-owned subsidiary of the Company (the remaining 48% is indirectly owned by three individuals who are independent third parties)

By order of the Board
Wang Xingdong
Managing Director

Hong Kong, 2 June 2004

Unless otherwise specified, conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.80. The conversion is for the purpose of illustration only and does not constitute a representation that any amount in US\$ or HK\$ have been, could have been or may be converted at the above rate or any other rates at all.