ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

FINANCIAL HIGHLIGHTS

	2004	2003	Percentage
	HK$'000	*HK$'000*	change
Turnover	**86,605**	160,941	-46%
Profit/(loss) attributable to shareholders	**84,614**	(35,739)	N/A
Shareholders' funds	**561,165**	474,707	18%
Total assets	**735,453**	777,002	-5%
Total liabilities	**170,671**	271,517	-37%
Earnings/(loss) per share (HK cents)	**10.96**	(4.63)	N/A

FINANCIAL RESULTS

The board of directors ("**Directors**") of ONFEM Holdings Limited ("**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("**Group**") for the year ended 31 December 2004 together with the comparative figures in 2003, as follows:

Consolidated Profit and Loss Account

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

Notes:

1. **Basis of preparation**

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

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

2. **Segment information**

(a) *Primary reporting format – business segments*

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format. Accordingly, the Group has categorised its businesses into the following segments:

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

Inter-segment sales are charged at prevailing market prices.

Segment turnover and results

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

(b) *Secondary reporting format – geographical segments*

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

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

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

In presenting information on the basis of geographical segments, sales are based on the geographical locations of the customers.

	Hong Kong and Macau		**The PRC**		**Southeast Asian countries**		**Total**	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
External sales	**16,483**	98,446	**69,765**	62,213	**357**	282	**86,605**	160,941

3. **Gain on deconsolidation of subsidiaries**

	2004	2003
	HK$'000	*HK$'000*
Net liabilities at the date of deconsolidation	**107,166**	60,734
Provision for bank guarantees	**–**	(10,148)
Settlement of liabilities for deconsolidated subsidiaries guaranteed by the Company	**(28,459)**	(11,839)
Gain on deconsolidation of subsidiaries	**78,707**	38,747

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

4. **Operating profit/(loss)**

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

	2004 *HK$'000*	2003 *HK$'000*
Gross rental and management fee income from investment properties	**(10,620)**	(10,826)
Less: Outgoings	**2,185**	2,039
	(8,435)	(8,787)
Cost of inventories sold	**27,245**	24,640
Depreciation on		
Owned fixed assets	**3,333**	3,447
Leased fixed assets	**–**	49
	3,333	3,496
Less: Amount capitalised in properties under development	**(204)**	(175)
	3,129	3,321
Staff costs (excluding Directors' emoluments)	**29,609**	36,847
(Write-back of provision)/provision for bad and doubtful debts (a)	**(9,295)**	2,000
Gain on assignment of benefit of debt by a former minority investor (b)	**(3,051)**	–
Amortisation of goodwill and negative goodwill	**(3,954)**	–
Unrealised gain on revaluation of trading securities	**(347)**	(347)

(a) An amount of approximately HK$3,603,000 (2003: HK$2,162,000), being the write-back of the provision for a loan to China Nonferrous Metals Group (Hong Kong) Limited ("**CNMG**"), a former intermediate holding company of the Company, is included in the write-back of provision for bad and doubtful debts. The said amount was received during the year from the liquidators of CNMG as interim dividends to the unsecured creditors of CNMG.

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

5. **Taxation**

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

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

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

6. **Dividends**

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

7. **Earnings/(loss) per share**

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

In 2004, the consolidated turnover of the Group amounted to approximately HK$86.6 million (2003: HK$160.9 million), representing a 46% decrease as compared with last year.

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

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

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

Operational Review

A. Specialised Construction Contracting

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

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

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

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

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

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

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

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

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

(iii) *PEHL and its subsidiaries (collectively, "**Polycrown Group**")*
The pre-liquidation turnover and segment loss of Polycrown Group in 2004 was approximately HK$3.6 million (2003: HK$68.1 million) and HK$0.6 million (2003: HK$24.0 million) respectively.

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

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

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

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

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

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

B. Manufacturing and Trading

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

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

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

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

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

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

C. Property Development and Property Leasing

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

(i) Haitian Garden

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

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

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

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

(ii) ONFEM Tower and other properties for leasing

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

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

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

D. Other Businesses

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

Outlook

The Group has completed the restructuring and disposal of under-performing businesses and retained projects and assets that will contribute to future profit, thereby laying a solid foundation for steady development in the coming years. "Developing business and enhancing profits" will be the Group's key focus from now on. Leveraging on the strengths of the new controlling shareholder, China Minmetals Corporation, in China and the Group's business network and connections in Hong Kong, the Group intends to seize the enormous business opportunities in the rapidly growing China market, which is being fueled in particular by the 2008 Olympics Games in Beijing, the 2010 World Expo in Shanghai, and the Asian Games in Guangzhou. Focus will be placed on property development and the specialised construction contracting businesses. The Group will not only actively seek investment opportunities in projects in China with growth potential, but will also strive to expand through direct investments, and mergers and acquisitions in order to further enhance profitability and realise better returns to shareholders.

Furthermore, the Group is committed to realising the complementary advantages among all its subsidiaries to enhance their overall performance and profitability. The Group will also formulate strategic and development guidelines for all its subsidiaries with a view to providing higher quality products and services to customers. The Group will continue to further enhance corporate governance and transparency, devise effective corporate strategies, recruit high-caliber professionals, foster a positive corporate culture, and to build a distinguished corporate identity.

Liquidity and Financial Resources

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

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

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

Capital commitments of the Group as at 31 December 2004 amounting to approximately HK$29.5 million (2003: HK$145.8 million), for properties under development, are to be financed by bank borrowings and internal funds.

Exposure to Fluctuation in Exchange Rates

Most of the transactions of the Group were denominated in Hong Kong dollars, RMB and US dollars. Given that the foreign currency risk exposure is minimal during the year ended 31 December 2004, no respective hedging or other alternative measures were arranged by the Group. As at 31 December 2004, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Charges on Group Assets

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

Contingent Liabilities

As at 31 December 2004, the Company had outstanding corporate guarantees provided to various banks in respect of banking facilities extended to certain existing subsidiaries amounting to approximately HK$21.6 million (2003: HK$54.9 million).

Employees

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

SHARE OPTION SCHEME

The share option scheme of the Company ("**Share Option Scheme**") was adopted pursuant to a resolution passed on 29 May 2003 and will remain in force for 10 years from that date. The purpose of adopting the Share Option Scheme is to recognise and acknowledge the contributions that the eligible person had made or may from time to time make to the Group, whether in the past or in the future. Details of the Share Option Scheme will be set out in the 2004 annual report of the Company.

As at 31 December 2004, the outstanding share options granted under the Share Option Scheme were 20,900,000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 May 2005 to Thursday, 26 May 2005 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending the annual general meeting of the Company, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 19 May 2005.

CODE OF BEST PRACTICE

Throughout the year ended 31 December 2004, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") in force up to 31 December 2004 except that the independent non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the existing bye-laws of the Company.

PROPOSED ADOPTION OF NEW BYE-LAWS

In November 2004, The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") made amendments to the Listing Rules which came into effect on 1 January 2005. Amongst the various changes, a Code on Corporate Governance Practices ("**Code**") was adopted. The Code sets out principles of good corporate governance and two levels of recommendations, being code provisions and recommended best practices. Issuers such as the Company are expected to comply with, but may choose to deviate from the code provisions whereas the recommended best practices are for guidance only. The Company is intent on implementing the code provisions of the Code to the extent that it is reasonably practicable and in the interest of the Company to do so. In this connection, it is proposed that certain provisions of the existing bye-laws of the Company be changed to the effect that,

(a) all directors, whether they be appointed by the Directors or the shareholders in general meeting, to fill a casual vacancy should be subject to election by shareholders at the first annual general meeting after their appointment; and

(b) to the extent permissible under Bermuda law, all directors should be subject to retirement by rotation at least once every three years.

It is also proposed that other code provisions of the Code will be implemented through changes to the Company's internal corporate governance guidelines.

Furthermore, the existing bye-laws of the Company were adopted in November 1991 and numerous amendments have been made to the bye-laws since its adoption. The Directors consider that it would be appropriate for the Company to adopt new bye-laws that reflect the abovementioned requirements under the Code and the Listing Rules and incorporate all of the amendments which have already been made to the bye-laws since 1991.

The proposed adoption of new bye-laws of the Company is subject to the approval of the shareholders of the Company at the annual general meeting to be held on 26 May 2005.

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Financial and other information in respect of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules in force up to 30 March 2004 will be published on the website of the Stock Exchange at the appropriate time.

By order of the Board
Wang Xingdong
Managing Director

Hong Kong, 15 April 2005
website: http://www.onfem.com

As at the date of this announcement, the Directors comprise eight Directors, of which five are executive Directors, namely, Mr. Lin Xizhong, Mr. Wang Xingdong, Mr. Yan Xichuan, Mr. Qian Wenchao and Ms. He Xiaoli; and three are independent non-executive Directors, namely, Mr. Lam Chun, Daniel, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria.

"Please also refer to the published version of this announcement in China Daily."