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ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

ANNOUNCEMENT

On 15 June 2004, the Company was informed by PEL that the PEL Board had resolved that PEL be wound up pursuant to Section 228A of the Companies Ordinance.

The winding up of PEL will result in the utilisation of cash and bank deposits of the Group in making repayment of a banking facility of approximately HK\$28.2 million (including principal and interest accrued up to 30 April 2004) granted to PEL and guaranteed by the Group upon demand by the bank. However, the Board considers that such repayment would not have a material adverse impact on the Group.

Shareholders of the Company and potential investors are reminded to exercise caution when dealing in the shares of the Company.

BACKGROUND

On 15 June 2004, the Company was informed by PEL that the PEL Board had resolved that PEL be wound up pursuant to Section 228A of the Companies Ordinance and that Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton of Ferrier Hodgson Limited be appointed as the joint and several provisional liquidators of PEL.

PEL is a wholly-owned subsidiary of PEHL. It was in operation up to 15 June 2004 and the provisional liquidators are reviewing the affairs of PEL and will take such further steps as appropriate for the winding up of PEL. The Company holds a 51% indirect beneficial interest in PEHL, and the remaining 49% is held by Polyrich Profits Limited which, as far as the Company is aware, is wholly owned by Mr. Leung. Mr. Leung is also a director of each of PEHL and PEL.

According to the audited consolidated accounts of the Group and the unaudited accounts of PEL (both as at and for the year ended 31 December 2003), PEL is a "major subsidiary" of the Company within the meaning of Rule 13.25(2) of the Listing Rules since the unaudited revenue of PEL represented approximately 40% of the total audited consolidated revenue of the Group for the year ended 31 December 2003.

The Board does not expect any material adverse impact on the Group arising from the winding up of PEL except for the potential demand for repayment of a banking facility of approximately HK\$28.2 million (including principal and interest accrued up to 30 April 2004) granted by a bank to PEL. The banking facility has already been secured by an investment property of and guarantee given by the Group. The repayment of such banking facility resulting from any such demand in the event of the winding up of PEL will result in the utilisation of the cash and bank deposits of the Group, which amounted to approximately HK\$199 million as at 31 December 2003, in making such repayment. However, the Board considers that such repayment would not have a material adverse impact on the Group. The total maximum potential liability of the Group as a result of the winding up of PEL is expected to be approximately HK\$28.2 million, which is the potential repayment of the banking facility guaranteed by the Group as referred to above.

Mr. Leung has executed various deeds of indemnity and deeds of counter-indemnity in favour of the Group to guarantee 49% of the loans (including interest accrued thereon) advanced by the Group to the members of the Polycrown Group (the total outstanding principal of which amounted to HK\$7,617,000 as at the date of this announcement) and to indemnify 49% of all losses arising out of any guarantees or securities provided by the Group in securing facilities granted to PEHL, PEL or any of the members of the Polycrown Group, which currently consists of the banking facility mentioned above only. The Group has already made demands against Mr. Leung in respect of his liabilities under such deeds of indemnity and deeds of counter-indemnity in the aggregate amount of approximately HK\$4,351,000, representing 49% of the loans advanced together with interest accrued up to 1 June 2004 but without taking into account the indemnity in relation to the guarantee provided by the Group to secure the HK\$28.2 million banking facility.

The Group has also issued a statutory demand in the sum of approximately HK\$2,151,000 against PEHL on 28 May 2004. If PEHL fails to meet the statutory demand within the prescribed period of 21 days, it is currently intended that the Group will petition for the winding up of PEHL which is also a major subsidiary of the Company (as defined under the Listing Rules). Further announcement will be made if and when a petition is filed against PEHL.

The Company will make further announcement(s) in the event of any material development in this matter.

INFORMATION ON THE POLYCROWN GROUP

The Polycrown Group, which consists of, among others, PEHL and PEL, is principally engaged in the electrical and mechanical engineering works relating to fire services, plumbing and drainage and industrial production plant, engineering design, site management, equipment supply and installation in Hong Kong and the PRC.

For the year ended 31 December 2003, the unaudited net losses before and after taxation of PEL were both approximately HK\$9,949,000. For the year ended 31 December 2002, the audited net losses before and after taxation of PEL were approximately HK\$69,556,000 and HK\$70,594,000 respectively. The unaudited and audited negative net tangible assets of PEL were approximately HK\$130,256,000 and HK\$120,307,000 as at 31 December 2003 and 31 December 2002 respectively. Since PEL is held by the Company indirectly through intermediate holding companies, no investment cost of PEL is recorded on the Company's books.

REASONS FOR THE WINDING UP OF PEL

The Group issued various statutory demands on 11 May 2004 against PEL for the repayment of various sums owing by PEL to the Group in the aggregate amount of approximately HK\$9,371,000, and PEL has failed to make any payments in accordance with such demands. The Company was informed by PEL that the PEL Board had resolved on 15 June 2004 that PEL be wound up pursuant to Section 228A of the Companies Ordinance because it was considered that PEL

could not by reason of its enormous liabilities continue its business, and the PEL Board further considered that the winding up should be commenced under Section 228A of the Companies Ordinance as it was not reasonably practicable for the winding up to be commenced under another section of the Companies Ordinance.

The Directors consider that, while the unaudited revenue of PEL accounted for approximately 40% of the total audited consolidated revenue of the Group for the year ended 31 December 2003, it has been loss-making since the financial year ended 31 December 1998 and it is therefore in the interest of the Group for PEL to be wound up so that resources of the Group can be better deployed to other businesses with a view to generating profits for the Group.

Apart from the Polycrown Group, each of Virtyre, ZOBHP and certain members of the Jaeger Group and the Enful Group is also considered as a "major subsidiary" of the Company (as defined in Rule 13.25(2) of the Listing Rules). Virtyre is principally engaged in property leasing business in Hong Kong. ZOBHP is principally engaged in property development in the PRC. The Enful Group is principally engaged in the business of manufacturing, sale and installation of fire doors and fire proof materials and products, fitting out works, environmental construction engineering and protection projects in Hong Kong and the PRC. The Jaeger Group is principally engaged in the manufacturing and distribution of industrial lubricants.

As stated in the 2003 annual report of the Company, the Group aims at disposing of its under-performing businesses while retaining projects and assets that will contribute to the Group's future prospects. Therefore, the Board considers that the commencement of winding up by PEL in view of its loss-making nature will not be against the interests of the Company and its shareholders as a whole.

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.

Shareholders of the Company and potential investors are reminded to exercise caution when dealing in the shares of the Company.

LIST OF DIRECTORS

As at the date hereof, the Board comprises 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.

DEFINITIONS

"Board"	the board of Directors (including the independent non-executive Directors) of the Company
"Company"	ONFEM Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Companies Ordinance"	Companies Ordinance (Chapter 32, Laws of Hong Kong)
"Directors"	the directors (including the independent non-executive directors) of the Company
"Enful Group"	Enful Holdings Limited and its subsidiaries
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Jaeger Group"	Jaeger Oil & Chemical Holdings Limited and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Leung"	Mr. Leung Pok Ching
"PEHL"	Polycrown Engineering (Holdings) Limited, an indirect 51%-owned subsidiary of the Company
"PEL"	Polycrown Engineering Limited, a wholly-owned subsidiary of PEHL
"PEL Board"	the board of directors of PEL
"Polycrown Group"	PEHL and its subsidiaries which include PEL
"PRC"	People's Republic of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Virtyre"	Virtyre Limited, a wholly-owned subsidiary of the Company
"ZOBHP"	Zhuohai (Oriental) Blue Horison Properties Company Limited, a company established in the PRC and a wholly-owned subsidiary of the Company

By order of the Board of
ONFEM HOLDINGS LIMITED
Wang Xingdong
Managing Director

Hong Kong, 16 June 2004