# ONFEM HOLDINGS LIMITED

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

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

**FINANCIAL HIGHLIGHTS**

| | 2003 HK$'000 | 2002 HK$'000 | Percentage change |
|---|---|---|---|
| Turnover | **160,941** | 332,168 | **-52%** |
| Loss attributable to shareholders | **35,739** | 136,854 | **-74%** |
| Shareholders' funds | **474,707** | 499,058 | **-5%** |
| Total assets | **777,002** | 939,964 | **-17%** |
| Total liabilities | **271,517** | 406,834 | **-33%** |
| Loss per share (HK cents) | **4.63** | 17.72 | **-74%** |

**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 2003 together with the comparative figures in 2002, as follows:

**Consolidated Profit and Loss Account**

| | Note | 2003 HK$'000 | 2002 HK$'000 |
|---|---|---|---|
| **Turnover** | 2 | **160,941** | 332,168 |
| Cost of sales | | **(122,140)** | (318,831) |
| **Gross profit** | | **38,801** | 13,337 |
| Other revenues | | **4,501** | 8,755 |
| Distribution costs | | **(11,432)** | (4,718) |
| Administrative expenses | | **(78,832)** | (123,049) |
| Other operating expenses | | **(4,593)** | (3,835) |
| Loss on revaluation of investment properties | | **(8,250)** | (27,378) |
| Provision for properties under development | | **(11,276)** | – |
| Gain on partial waiver of certain payables | | **–** | 8,366 |
| Gain on deconsolidation of subsidiaries | | **38,747** | – |
| **Operating loss** | 3 | **(32,334)** | (128,522) |
| Finance costs | | **(4,860)** | (7,703) |
| **Loss before taxation** | | **(37,194)** | (136,225) |
| Taxation | 4 | **(95)** | (363) |
| **Loss after taxation** | | **(37,289)** | (136,588) |
| Minority interests | | **1,550** | (266) |
| **Loss attributable to shareholders** | | **(35,739)** | (136,854) |
| Dividends | 5 | **–** | – |
| Basic loss per share (HK cents) | 6 | **(4.63)** | (17.72) |

*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 Society of Accountants ("**HKSA**"). They have been prepared under the historical cost convention except that certain properties and investments in securities are stated at fair value.

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

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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:

| | |
|---|---|
| Construction and engineering contracts: | Design and installation of curtain walls and aluminium windows, as well as construction work related to electrical and mechanical engineering and other contracting businesses. |
| Manufacturing and trading: | Manufacturing and trading of lubricant oil and chemical products, doors and fire proof materials. |
| Property leasing: | Leasing of premises to generate rental income and to gain from the appreciation in the properties' values in the long term. |
| Property development: | Development of residential and commercial properties. |
| Security investment and trading: | Trading and investment of securities. |

Inter-segment sales are charged at prevailing market prices.

**Segment turnover and results**

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

(b) *Secondary reporting format - geographical segments*

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

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

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

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

| | Hong Kong and Macau | | The PRC | | Australia | | Southeast Asian countries | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2003 HK$'000** | 2002 HK$'000 | **2003 HK$'000** | 2002 HK$'000 | **2003 HK$'000** | 2002 HK$'000 | **2003 HK$'000** | 2002 HK$'000 | **2003 HK$'000** | 2002 HK$'000 |
| External sales | **98,446** | 193,797 | **62,213** | 130,530 | **–** | 7,421 | **282** | 420 | **160,941** | 332,168 |

3. **Operating loss**

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

| | 2003 HK$'000 | 2002 HK$'000 |
|---|---|---|
| Gross rental and management fee income from investment properties | **(10,826)** | (10,472) |
| *Less:* Outgoings | **2,039** | 1,964 |
| | **(8,787)** | (8,508) |
| Cost of inventories sold | **24,640** | 38,743 |
| Depreciation on | | |
| Owned fixed assets | **3,447** | 4,703 |
| Leased fixed assets | **49** | 143 |
| | **3,496** | 4,846 |
| *Less:* Amount capitalised in properties under development | **(175)** | (146) |
| | **3,321** | 4,700 |
| Staff costs (excluding directors' emoluments) | **36,847** | 57,059 |
| Provision for bad and doubtful debts (a) | **2,000** | 7,031 |
| Unrealised gain on revaluation of trading securities | **(347)** | (1,319) |

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

4. **Taxation**

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the year (2002: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

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

5. **Dividends**

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

6. **Loss per share**

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Business Overview**

During the year under review, although the consolidated turnover for the Group declined from approximately HK$332.2 million in 2002 to approximately HK$160.9 million in 2003, the Group recorded a decline of approximately HK$47.1 million or 36% in the total administrative and finance costs, and a net loss of approximately HK$35.7 million, a decrease of 74% as compared with the previous year, with the Group's implementation of stringent cost controls at all levels, the strengthening of its operations and quality management and an aggressive reduction of its administrative expenses.

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

1. *Manufacturing and Trading*

The Group is mainly engaged in the manufacturing and trading of two types of industrial products: industrial lubricant products and doors and timber products. During the year under review, the total external turnover for this segment amounted to approximately HK$57.8 million, a decrease of 8% as compared with the previous year, and contributing 36% to the consolidated turnover. However, as the Group imposed stringent and effective cost reduction measures during the year, its operating efficiencies improved and the segment loss from manufacturing and trading decreased from approximately HK$7.1 million in 2002 to approximately HK$3.7 million in 2003.

i) Industrial Lubricant Products

Jaeger Oil & Chemical Holdings Limited (a subsidiary of the Group) and its subsidiaries ("**Jaeger**") are engaged in the manufacturing and distribution of industrial lubricants. Among its sales in 2003, 17% came from Hong Kong and South East Asia while 83% came from China.

The surge of oil price because of the war in Iraq, coupled with the effect of a weaker US dollar, have reduced the competitiveness of Jaeger's imported agency products and increased cost of sales. The outbreak of Severe Acute Respiratory Syndrome ("**SARS**") early in the year had also adversely affected Jaeger's sales for a short period. These factors led to a slight decrease of 3% in its annual turnover of 2003 as compared with 2002.

During the year, Jaeger aggressively developed its domestic sales market in the Yangtze Delta by strengthening its distribution network in Eastern and Central China. With continuous efforts, Jaeger achieved satisfactory sales in these districts with 58% increase in turnover as compared with the previous year. Jaeger will strategically expand its major end-user markets and establish comprehensive distribution networks in Southern China. At the same time, it will focus on the mid to high-end products to improve the overall gross profit margin. In addition, as turnover generated from the sales of the United Kingdom brand "Korniche" increased 24% as compared with the previous year, Jaeger will put additional effort to increase the market share of this brand and better realise its sales potential. At the same time, after securing the distribution rights for the brand "Rite-Lok" from the United Kingdom, Jaeger will further broaden the sales of "Rite-Lok" by building up comprehensive sales channels progressively.

The Group is very pleased to report that Jaeger's manufacturing facility in China were awarded SGS ISO9001 international quality management system certification in 2003. This will greatly strengthen Jaeger's competitiveness in the markets for high-end metalworking and die-casting lubricant products.

Jaeger will aggressively develop markets in Eastern and Northwestern China in the near future. It planned to establish comprehensive sales networks in Nanjing and Suzhou, and will continue to strengthen its distribution network in new areas such as Yangzhou, Yancheng, Wenzhou and Jiashan. Besides, Jaeger will also participate in a number of exhibitions in Central China and to identify quality distributors and major users to broaden its customer base. Jaeger will continue to develop industrial users and consumer goods markets in Southern China by setting up distribution points in Shunde, Wuyi and Huizhou.

In order to strengthen cooperation with distributors, Jaeger will organise product seminars and business conferences for its distributors in China in order to enhance their product knowledge and business operations.

Following China's accession to the World Trade Organisation, a large number of foreign companies have since established their manufacturing facilities in China. As a result, this will accelerate the increase in demand for high-end industrial lubricants. Furthermore, in view of the gradual decline in import tax, the cost of imported products is expected to fall accordingly. Jaeger will explore the potential of setting up venture with foreign suppliers to establish manufacturing facility for adhesives and die-casting lubricant products in China to fully leverage the opportunities offered by these favourable conditions. Specifically, it aims to lower the production cost, expand the scope of its business and enhance overall profitability.

ii) Doors and Timber Products

Enful Holdings Limited (a subsidiary of the Group) and its subsidiaries ("**Enful**") are principally engaged in the business of doors and timber products. It recorded segment external turnover of approximately HK$6.8 million in 2003, representing a decrease of 27% as compared with the previous year. The majority of the turnover from external sales came from China. The losses for the year under review were primarily due to the provisions for accounts receivable and inventories, which amounted to approximately HK$1.3 million and HK$1.9 million respectively.

In the first half of the year, the outbreak of SARS had a material adverse impact on the doors market and consequently, business for this segment was also adversely affected. Despite the intense competition in the marketplace, Enful managed to secure a contract for a "timber and fire proof door" supply and installation project for each of Zhongshan Zhangzhou Green View Bay (中山長州翠景灣) and New Century Home (新世紀華庭) during the year under review.

Over the past year, the management focused its resources on developing potential sales points in major construction materials supermarkets and at the same time rationalising under-performing sales points so as to better capture opportunities arising from the market recovery. In the coming year, Enful will continue to impose stringent cost control measures and enhance quality management for its production processes in order to increase profit margin from its operation. At the same time, Enful will streamline its operational structure for the purpose of avoiding duplication of duties. This is in conjunction with the implementation of the accountability system of management by objectives so that the remunerations of staff are linked to Enful's performance. As such, staff will be better motivated and their interests will be better aligned with Enful's profitability. Notwithstanding these measures, further effort is required on the part of Enful in order to alleviate itself from the difficult trading situation faced by it, which will also depend on the outcome of the restructuring of its operating structure.

2. *Specialised Construction Contracting*

In 2003, the Group achieved a turnover in specialised construction contracting business of approximately HK$86.1 million, representing a decline of 66% as compared with the previous year. The contribution from this business to the Group's consolidated turnover decreased from 75% in the previous year to 53% in the year under review. The segment loss from this business also decreased significantly from approximately HK$91.8 million in 2002 to approximately HK$38.2 million in 2003.

i) Enful

The specialised construction contracting business of Enful is principally carried out in Hong Kong. Enful completed a number of construction and environmental protection contracts in 2003. It recorded a segment turnover of approximately HK$6.0 million, representing a decrease from the previous year. However, it achieved an increase in its gross profit margin due to the implementation of its effective cost control measures during the year. The loss for the year under review was mainly attributable to the provision for accounts receivable of approximately HK$3.0 million.

During the year, the projects completed by Enful included the environmental and acoustic projects for the West Rail Tin Shui Wai Station and a renovation project for Bird Garden in Yuen Po Street. In view of the recovery of Hong Kong economy in the second half of the year, several infrastructure projects such as the project at the East Rail Ma On Shan Station also commenced. Building on its extensive experience in infrastructure projects, it is believed that Enful will be able to successfully secure several projects of larger scale in the coming years so as to enhance its profitability.

ii) Polycrown Engineering (Holdings) Limited and its subsidiaries ("**Polycrown**")

In 2003, the turnover for Polycrown amounted to approximately HK$68.1 million, of which 96% came from Hong Kong and 4% came from China. During the year, Polycrown also reduced its administrative expenses and operating costs aggressively. At the same time, it also speed up the collection of its accounts receivable. These austerity measures successfully led to a substantial decline in its operating loss.

During the year, Polycrown completed the project at the West Rail Mei Foo Station on schedule. Currently, it is focusing on the project at the Kwai Chung Container Port-Terminal No. 9, which is expected to be completed by mid-2005. Other electrical and mechanical engineering projects of smaller scale are also scheduled to be completed in 2004. Nevertheless, Polycrown has yet to exit from its difficult operating and management situation.

iii) Condo Group Limited and its subsidiaries ("**Condo**")

As two subsidiaries under Condo were unable to repay their debts, the Group made numerous attempts to implement the proposed voluntary debt restructuring of each of these two companies during the period. However, such restructuring proposals were unsuccessful due to the failure in reaching any agreement with the Condo's minority shareholders.

Following the failure of the aforesaid voluntary debt restructurings, winding-up orders against these two companies were made by the High Court of Hong Kong on 8 September 2003. As a result, these two companies are currently put under receivership. The Group will now focus on recovering the debts owed to the Group by these two companies.

3. *Property Development and Leasing*

The Group's core property businesses include the Zhuhai Haitian Garden project in China and the ONFEM Tower in Hong Kong for leasing purpose.

In 2003, the Group's property leasing business achieved a turnover of approximately HK$10.8 million, representing an increase of 3% as compared with the previous year; the segment loss in the property leasing business therefore fell from approximately HK$19.4 million in 2002 to HK$4.7 million in 2003. As the property market rebounded at the end of the year, loss on revaluation of investment properties decreased by 70% as compared with the previous year to approximately HK$8.3 million.

Since the several remaining units of the Garret, the residential development project in Sydney, Australia, were sold in 2002 while the Zhuhai Haitian Garden project was still under construction and no income was generated from this project either, no turnover was recorded as regard to property development business for the year under review.

i) ONFEM Tower, 29 Wyndham Street, Central, Hong Kong
The adverse impact of the outbreak of SARS on the economy was reflected in the results of the first three quarters of 2003. Nevertheless, as at 31 December 2003, ONFEM Tower recorded an occupancy rate of 91% with an increased rental revenue as compared with the previous year. In addition, the Group is very satisfied with the quality of its tenants, which included a number of multinational enterprises. Since the Group appointed a renowned property management company to provide professional property management services for the ONFEM Tower in early 2003, the quality of this building was significantly enhanced and in turn an increasing recognition was gained from its tenants. In 2004, the Group will focus on further enhancing the building's quality with a view to providing its tenants with excellent services.

ii) Haitian Garden, Zhuhai, China
In January 2004, the Group successfully acquired the remaining 20% equity interest in Zhuhai (Oriental) Blue Horrison Properties Company Limited from Zhuhai Shining Metals Group Inc. and the Group now holds a 100% equity interests in Haitian Garden. The substructure works of the project have been completed. The superstructure works are scheduled to commence in the second half of 2004 and are expected to be substantially completed by the end of 2005.

In view of the current demand in property market in Zhuhai, the Group has repositioned the project as "The New Generation of Panoramic Seaview Deluxe Apartments in Zhuhai".

The proposed construction of the Hong Kong-Zhuhai-Macau Bridge is expected to be finalised shortly, the completion of which will facilitate transportation between Zhuhai, Hong Kong, Macau and the Western part of China. Taking into account the unique advantages in Zhuhai's natural environment and resources, together with the promotion by the Zhuhai municipal government, an increasing demand for properties in Zhuhai from Hong Kong and Macau residents is expected. Sales price of recently launched luxurious properties in Zhuhai increased over 10% in the past six months. Currently, Haitian Garden is one of the few deluxe panoramic seaview developments under construction in Zhuhai. In view of such favourable market conditions, the offer for sale of Haitian Garden units is expected to be well received by the market.

**Outlook**
Looking forward, the Group will focus on property development as its principal business which is to be supplemented by the specialised construction contracting business and with high technology investment as an ancillary business. The Group will use Hong Kong as its base to vigorously develop its core businesses into China with a view to providing customers with quality services and products and at the same time enhancing its competitiveness so that it will return to profitability and achieve a better return for the shareholders.

In addition, the Group plans to expand through appropriate value driven means such as direct investments, mergers and acquisitions in order to build a portfolio of quality assets and to establish a superior brand.

**Liquidity and Financial Resources**
As at 31 December 2003, the gearing ratio of the Group, representing a ratio of total borrowings to total assets, reduced to 9.2% (2002: 14.3%). Cash and bank deposits, as at 31 December 2003, amounted to approximately HK$199.3 million (2002: HK$210.6 million).

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 and the cash and bank deposits, the Group also obtained financial resources from bank borrowings, finance lease obligation and loan from a minority investor which amounted to approximately HK$66.7 million (2002: HK$130.9 million), HK$0.1 million (2002: HK$0.2 million) and HK$4.5 million (2002: HK$3.3 million) respectively as at 31 December 2003.

The bank borrowings denominated in Renminbi ("**RMB**"), as at 31 December 2003, were approximately RMB28.6 million (2002: RMB38.6 million) while the remaining balances were denominated in Hong Kong dollars. Except this RMB bank loan with fixed interest rate, all the Group's bank borrowings are on a floating rate basis.

Capital commitments of the Group are to be partly financed by bank borrowings.

**Financial Risks and Management**
The Group's strategies towards financial risk management include diversification of funding sources and extension of credit periods. For the year ended 31 December 2003, finance costs reduced to approximately HK$4.9 million (2002: HK$7.7 million).

The total borrowings of the Group as at 31 December 2003 amounted to approximately HK$71.3 million (2002: HK$134.4 million). The borrowings were repayable as follows:

| | **2003** | 2002 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **71,304** | 134,364 |
| In the second year | **–** | 58 |
| | **71,304** | 134,422 |

**Exposure to the Fluctuation in Exchange Rates**
Most of the transactions of the Group were denominated in Hong Kong dollars, RMB and US dollars. Given that the exchange rates of Hong Kong dollar against RMB and US dollar are stable, no hedging or other alternative measures have been implemented by the Group. As at 31 December 2003, 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 2003, the Group pledged an investment property with carrying amount of approximately HK$195.0 million (2002: HK$206.4 million) as collateral for the Group's banking facilities. Besides, fixed deposits amounted to approximately HK$53.2 million (2002: HK$101.6 million) have been pledged by the Group as securities for general banking facilities and issuance of performance bonds. Certain inventories of the Group were also held under trust receipt loan arrangements.

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

(a) The Group undertook to discharge the obligations of a bank under a performance bond issued by the bank in respect of a construction contract of the Group, which amounted to approximately HK$1.4 million (2002: HK$15.8 million).

(b) The Company had outstanding corporate guarantees to various banks in respect of banking facilities extended to certain existing subsidiaries amounted to approximately HK$54.9 million (2002: HK$106.9 million). As at 31 December 2003, the Company had a total provision of approximately HK$39.9 million (2002: HK$96.8 million) in respect of such corporate guarantees in the Company's accounts.

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

**Employees**
As at 31 December 2003, the Group employed 309 staff (2002: 482 staff). The total remunerations and benefits of the Directors and staff during the year were approximately HK$43.1 million (2002: HK$64.0 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. Details of the Share Option Scheme will be set out in the 2003 Annual Report of the Company.

As at 31 December 2003, there were no outstanding share options granted under the Share Option Scheme.

**CLOSURE OF REGISTER OF MEMBERS**
The Register of Members of the Company will be closed from Friday, 21 May 2004 to Thursday, 27 May 2004 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending the annual general meeting, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 20 May 2004.

**CODE OF BEST PRACTICE**
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**") being in force throughout the year ended 31 December 2003 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 Company's bye-laws.

**PROPOSED AMENDMENTS TO BYE-LAWS**
Following the abolition of the Securities (Disclosure of Interests) Ordinance 1988 (Chapter 396 of the Laws of Hong Kong) and the enforcement of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) on 1 April 2003 and to ensure compliance with certain existing provisions of the Listing Rules which remain in force on or after 31 March 2004 and certain new provisions of the Listing Rules which became effective on 31 March 2004, the Directors propose that certain existing clauses of the bye-laws of the Company be amended and several new clauses be incorporated in the bye-laws of the Company, as more particularly described in the notice of the annual general meeting ("**AGM**") published on the same date, so as to ensure that the provisions of the bye-laws of the Company are in line with the legislation and the rules and regulations applicable to the Company.

In order to facilitate the proceedings of the general meetings of the Company, it is also proposed that the bye-laws of the Company be amended to allow proxies to form part of the quorum of the general meetings of the Company and to vote individually on a show of hands.

The proposed amendments to the bye-laws are subject to the approval of the shareholders of the Company at the AGM to be held on 27 May 2004.

**AUDIT COMMITTEE**
The audit committee of the Company comprises three independent non-executive directors namely, Mr. Selwyn Mar, Ms. Tam Wai Chu, Maria and Mr. Lam Chun, Daniel. The audit committee has reviewed with the auditors the audited accounts for the year ended 31 December 2003 and discussed auditing, internal control and financial reporting matters including the review of the accounting practices 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 with effect up to 30 March 2004 will be published on the website of The Stock Exchange of Hong Kong Limited at the appropriate time.

By order of the Board
**Wang Xingdong**
*Managing Director*

Hong Kong, 19 April 2004
*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. Selwyn Mar, Ms. Tam Wai Chu, Maria and Mr. Lam Chun, Daniel.*