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ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT

The Company refers to the winding-up petitions presented by certain unsecured trade creditors against two of its subsidiaries, namely CCW and CEC, on the ground that they failed to pay certain trade debts. The amounts claimed by the unsecured trade creditors totalling approximately HK\$9,006,000 (of which HK\$152,000 was paid) are immaterial, after taking into account the Group's unaudited consolidated net assets of approximately HK\$587,060,000. The Company is of the view that the winding-up petitions are used as a means for debt recovery at its subsidiaries level and are not a reflection of the Group's overall financial position.

At the Court hearing of one of the winding-up petitions against CCW, the Company opposed to the petition and obtained an adjournment of the hearing to 10 March 2003 so that CCW will have more time to put forward a proposed debt restructuring. The Company intends to oppose the winding-up petition by another trade creditor against CCW which has been adjourned to 17 February 2003 and the winding-up petition against CEC on the same ground.

As a side effect of the winding-up petitions, CCW and CEC received a demand letter from the Bank Creditor demanding for the repayment of approximately HK\$49,710,000. The Company, as guarantor, also received a demand letter from the Bank Creditor demanding for payment of HK\$45,000,000, being part of the same HK\$49,710,000 owed by CCW and CEL to the Bank Creditor. The Board is of the view that the cash and property assets charged to the Bank Creditor represent more than 1:1 coverage. The Board understands that notwithstanding such securities coverage, the delivery of such demand letters is a usual practice of the Bank Creditor in response to a winding-up petition presented against a borrower.

As a separate issue, the aforesaid guarantee provided to the Bank Creditor for the Bank Indebtedness has been reviewed by the Stock Exchange, on the basis that such guarantee constituted a "financial assistance" to connected persons by the Company under Chapter 14 of the Listing Rules. The Company is of the view that given the respective minority shareholders and indirect minority shareholders of CCW and CEC have provided counter-indemnities in favour of the Company to the effect that 48% (the effective minority interests in each of CCW and CEC) of all losses and liabilities which the Company may incur under such guarantee is covered, such financial assistance provision of the Listing Rules should not apply. Nevertheless, the Stock Exchange is of the view that it has been a breach of the Listing Rules and reserves its right to take appropriate action against the Company and its directors in relation thereto.

At the request of the Company, trading in the shares of the Company was suspended at 9:30 a.m. on 11 February 2003 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company at 9:30 a.m. on 17 February 2003.

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

The Company refers to the winding-up petitions presented by certain unsecured trade creditors against CCW and CEC on the ground that they failed to pay to the unsecured trade creditors for trade debts amounting to a total of approximately HK\$9,006,000 (of which HK\$152,000 was paid), together with interest and costs.

The unaudited consolidated net liabilities of CCW and CEC as at 30 June 2002 were approximately HK\$76,561,000 and HK\$166,207,000 respectively and neither CCW nor CEC reported any net profits for the year ended 31 December 2001. Each of CCW and CEC is effectively and indirectly a 52%-owned subsidiary of the Company.

In view of the net liabilities position, a lack of trading profits of each of CCW and CEC and in comparison, the approximately HK\$587,060,000 unaudited consolidated net assets of the Group as at 30 June 2002, neither CCW nor CEC is a major subsidiary of the Company, insofar as its consolidated net assets are concerned.

The total amount claimed by the unsecured trade creditors under the winding-up petitions is immaterial, when comparing to the Group's consolidated net assets and such claimed amounts are neither guaranteed nor secured by any assets of the Group. The Company is of the view that the winding-up petitions are used as a means for debt recovery at its subsidiaries level by a few disgruntle trade creditors of CCW and CEC and are not a reflection of the Group's overall financial position.

At the adjourned Court hearing of one of the winding-up petitions against CCW on 10 February 2003, the Company opposed to the petition and had applied for a further adjournment of the hearing so that CCW will have more time to put forward and to implement a proposed restructuring in respect of its debts. Having heard the application, the Court adjourned the hearing to 10 March 2003 to enable the proposed restructuring proposal to proceed but the progress of the matter should be reported to the Court. The Company intends to oppose the winding-up petition by another trade creditor against CCW which has been adjourned to 17 February 2003 and the winding-up petition against CEC on the same ground.

As a side effect of the winding-up petitions, the Company noted that CCW and CEC received a demand letter dated 7 February 2003 from a bank creditor (the "Bank Creditor") demanding for the repayment of approximately HK\$49,710,000, being the amount outstanding under the general banking facilities granted by the Bank Creditor to CCW and CEC (the "Bank Indebtedness"). The Company, as guarantor providing guarantee to the Bank Indebtedness, also received a demand letter dated 8 February 2003 from the Bank Creditor (the "Demand Letter") demanding for the payment of HK\$45,000,000, being part of the Bank Indebtedness. Both demand letters dated Friday, 7 and Saturday, 8 February 2003 respectively were brought to the attention of the Board of the Company after the trading hours of the Stock Exchange on 10 February 2003.

The Board is of the view that, after taking into account the cash and property assets charged to the Bank Creditor, the securities provided represent more than 1:1 coverage. Further, the Board understands that notwithstanding such securities coverage, the delivery of such demand letters is a usual practice of the Bank Creditor in response to a winding-up petition presented against a borrower.

In view of the fact that more than adequate securities have already been provided by the Company to secure the Bank Indebtedness, the Company will actively seek an early resolution to the issues regarding the Bank Indebtedness and the aforesaid demand letters from the Bank Creditor, including the possibility of restructuring the Bank Indebtedness. In the meantime, although the Company has sufficient funds to meet the liabilities under the Demand Letter, the Company will seek to discuss with the Bank Creditor regarding the demand with a view to postponing enforcement of the guarantee.

The Bank Indebtedness amounted to approximately HK\$45,134,000 have been included in the total current liabilities of the audited consolidated accounts of the Group as at 31 December 2001. In view of the more than adequate securities provided for the Bank Indebtedness, the Company does not expect that the demand made by the Bank Creditor under the Demand Letter will have any material adverse impact on the operations of the Group.

In view of the aforesaid winding-up petitions, the Company has appointed legal and financial advisers to assist it in the proposed debt restructuring of CCW and CEC. The Company will issue further announcements regarding result of the adjourned hearing and progress of the proposed debt restructuring of CCW and CEC. In view of the approximately HK\$587,060,000 unaudited consolidated net assets of the Group as at 30 June 2002 and its diversified business activities in, among others, manufacturing and trading, specialised construction contracting, property investment and development, the Board is of the view that the Group will continue to satisfy paragraph 38 of the Listing Agreement of the Stock Exchange.

As a separate issue, the aforesaid guarantee provided to the Bank Creditor for the Bank Indebtedness has been reviewed by the Stock Exchange, on the basis that such guarantee constituted a “financial assistance” to connected persons by the Company under Chapter 14 of the Listing Rules. The Company is of the view that given the respective minority shareholders and indirect minority shareholders of CCW and CEC have provided counter-indemnities in favour of the Company to the effect that 48% (the effective minority interests in each of CCW and CEC) of all losses and liabilities which the Company may incur under such guarantee is covered, such financial assistance provision of the Listing Rules should not apply. Nevertheless, the Stock Exchange is of the view that it has been a breach of the Listing Rules and reserves its right to take appropriate action against the Company and its directors in relation thereto.

At the request of the Company, trading in the shares of the Company was suspended at 9:30 a.m. on 11 February 2003 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company at 9:30 a.m. on 17 February 2003.

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DEFINITIONS

“Board”	the board of directors of the Company
“CCW”	Condo Curtain Wall Company Limited, an indirect 52%-owned subsidiary of the Company
“CEC”	Condo Engineering (China) Limited, an indirect 52%-owned subsidiary of the Company
“Company”	ONFEM Holdings Limited
“Court”	the High Court of the Hong Kong Special Administrative Region of the People’s Republic of China
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Wang Xingdong
Managing Director

Hong Kong, 14 February 2003

Please also refer to the published version of this announcement in The Standard.