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ONFEM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Financial adviser to ONFEM Holdings Limited

Centurion Corporate Finance Limited

CONNECTED TRANSACTION

On 19 July 2002, the Company provided the Security with CMB which in turn issued a standby letter of credit of HK\$11,000,000 in favour of the Lending Bank. On 22 July 2002, the Lending Bank granted the Loan Facility to SHJQ, an effectively 47 per cent.-owned subsidiary of the Company, for a term of one year.

The board of Directors announces that the Company will continue to provide the Security with CMB for the renewal of the Loan Facility. The renewal of the Loan Facility is expected to take place on or about 18 July 2003.

Each of Mr. Yu, Mr. Ng and Mr. Cheung is a connected person of the Company by virtue of his being (i) a substantial shareholder of SHJQ via CEC and Wellstep and (ii) a director of each of CEC and Wellstep. As the Company is granting a financial assistance under the Security to its non wholly-owned subsidiary, SHJQ, in which Mr. Yu, Mr. Ng and Mr. Cheung, connected persons of the Company, are substantial shareholders, the continuous provision of the Security constitutes a connected transaction for the Company under the Listing Rules.

As the value of the Security does not exceed 3 per cent. of the Company's consolidated net tangible assets as at 31 December 2002, details of this connected transaction will be included in the next annual report of the Company in accordance with Rule 14.25(1) of the Listing Rules.

The Stock Exchange is of the view that details of the provision of the Security in July 2002 should have been the subject of an announcement then and since no such details were previously announced, the Stock Exchange is of the view that there was a breach of Rule 14.25(1) of the Listing Rules. Furthermore, the Company has reported to the Stock Exchange that there are other connected transactions of similar nature and is in the process of preparing an announcement setting out details of such transactions. The Stock Exchange is also of the opinion that these other connected transactions constitute a breach of the Listing Rules. The Stock Exchange reserves the right to take appropriate actions against the Company and its directors regarding these breaches of the Listing Rules.

The Company is of the view that the Wellstep Minority Shareholders, their respective sole beneficial owners and other minority shareholders have provided counter-indemnities in favour of the Company to the effect that their respective pro-rata shares of all losses and liabilities which the Company may incur are covered, the financial assistance provision of the Listing Rules should not apply to the provision of Security in July 2002 and the majority of the other connected transactions as set out above.

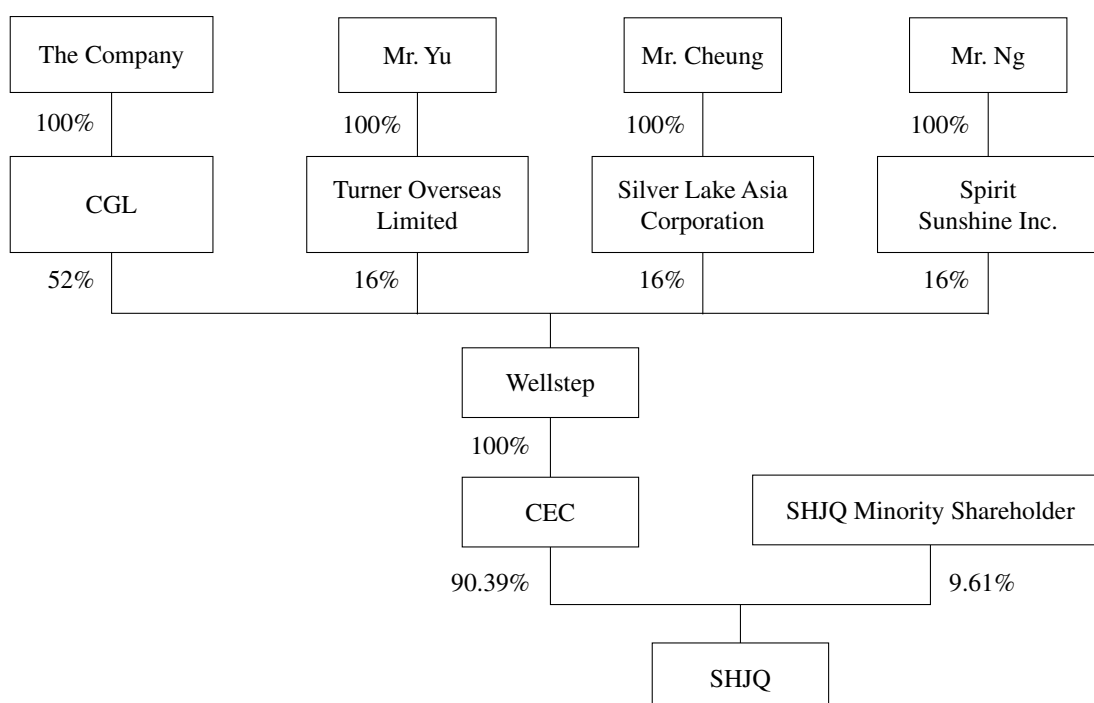
BACKGROUND

The Group is principally engaged in property development and investment, specialised construction contracting and manufacturing and trading of industrial lubricant products and doors and fireproof materials.

SHJQ, a Sino-foreign cooperative joint venture established in the PRC, is owned as to 90.39 per cent. by CEC and 9.61 per cent. by the SHJQ Minority Shareholder. CEC, a company incorporated in Hong Kong, is a wholly-owned subsidiary of Wellstep. Wellstep, a company incorporated in the British Virgin Islands, is owned as to 52 per cent. by CGL, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. The remaining 48 per cent. of the issued share capital in Wellstep is owned as to 16 per cent. by each of the Wellstep Minority Shareholders, namely Turner Overseas Limited, Spirit Sunshine Inc. and Silver Lake Asia Corporation respectively, each of which is a company incorporated in the British Virgin Islands. The sole beneficial owners of Turner Overseas Limited, Spirit Sunshine Inc. and Silver Lake Asia Corporation are Mr. Yu, Mr. Ng and Mr. Cheung respectively.

SHJQ is principally engaged in the business of trading and installation of aluminium window cases and curtain walls in the PRC. SHJQ is of National Grade A company status and is licensed to provide specialised curtain wall as well as interior and exterior contracting services in the PRC nationwide. For the year ended 31 December 2002, the audited net losses before and after taxation of SHJQ were both approximately RMB28,707,000 (representing approximately HK\$26,625,000). For the year ended 31 December 2001, the audited net profits before and after taxation of SHJQ were approximately RMB5,006,000 (representing approximately HK\$4,656,000) and RMB4,728,000 (representing approximately HK\$4,397,000) respectively. As at 31 December 2002, the audited negative net tangible assets of SHJQ was approximately RMB12,793,000 (representing approximately HK\$11,865,000).

SHAREHOLDING STRUCTURE



CONNECTED TRANSACTION

On 19 July 2002, the Company provided the Security with CMB which in turn issued on the same date a standby letter of credit of HK\$11,000,000 (the “Existing Standby Letter of Credit”) in favour of the Lending Bank. On 22 July 2002, the Lending Bank granted the Loan Facility to SHJQ for a term of one year. The purpose of the Loan Facility was to finance the working capital requirement of SHJQ. These details were not announced previously and consequently, the Stock Exchange is of the opinion that there was a breach of Rule 14.25(1) of the Listing Rules.

For the renewal of the Loan Facility, the Company will continue to provide the Security with CMB which in turn will amend certain terms of the Existing Standby Letter of Credit. The Existing Standby Letter of Credit will be amended in such a way that the expiry date of which will be extended for one year with all other terms and conditions remain unchanged. These other terms and conditions include a per annum interest rate charge of 5.13 per cent. and the Loan Facility is to be secured by the Existing Standby Letter of Credit. The renewal of the Loan Facility is expected to take place on or about 18 July 2003. The Security represents approximately 2.20 per cent. of the Company’s consolidated net tangible assets as at 31 December 2002.

The Company has an approximately 47 per cent. effective shareholding interest in SHJQ and SHJQ is a subsidiary of the Company.

Each of Mr. Yu, Mr. Ng and Mr. Cheung is a director of both CEC and Wellstep but not a director of the Company. Mr. Ng, Mr. Cheung, Mr. Zhou and Mr. Zhao are also directors of SHJQ. Mr. Ng and Mr. Cheung were nominated by CEC while Mr. Zhou and Mr. Zhao were nominated by the SHJQ Minority Shareholder. Mr. Cheung tendered his resignation as a director of SHJQ and Mr. Wong Iat Tong was nominated as his replacement, which will take effect upon registration with the relevant authorities in the PRC. Ms. He Xiaoli was nominated by CEC as a director of SHJQ in place of Ms. Lu Youming, which will take effect upon registration with the relevant authorities in the PRC.

Each of Mr. Yu, Mr. Ng and Mr. Cheung is a connected person of the Company by virtue of his being (i) a substantial shareholder of SHJQ via CEC and Wellstep and (ii) a director of each of CEC and Wellstep. As the Company is granting a financial assistance under the Security to its non wholly-owned subsidiary, SHJQ, in which Mr. Yu, Mr. Ng and Mr. Cheung, connected persons of the Company, are substantial shareholders, the continuous provision of the Security, notwithstanding the said counter-indemnities, constitutes a connected transaction for the Company under the Listing Rules. As set out above, these counter-indemnities were entered into on 23 March 1998, 5, 6 and 11 January 1999 (as the case may be) and shall cover, among other things, any loss incurred by the Company in respect of the provision of the Security.

As the value of the Security does not exceed 3 per cent. of the Company’s consolidated net tangible assets as at 31 December 2002, details of this connected transaction will be included in the next annual report of the Company in accordance with Rule 14.25(1) of the Listing Rules.

LEGAL ACTIONS AGAINST WELLSTEP MINORITY SHAREHOLDERS

As shareholders of Wellstep, each of Mr. Yu, Mr. Ng and Mr. Cheung has an indirect effective shareholding interest of approximately 14.46 per cent. in SHJQ. Following the publication of the Company's announcement dated 14 February 2003 on, inter alia, counter-indemnities given by certain minority shareholders of CCW/Wellstep, a writ of summons has since been issued by the Company against each of Mr. Yu, Mr. Ng, Mr. Cheung and each of the Wellstep Minority Shareholders, claiming against each of them certain amounts of money due under the counter-indemnities executed by each of them dated 23 March 1998, 5, 6 and 11 January 1999 (as the case may be) in favour of the Company. As a result, Mr. Yu and Mr. Cheung have since retained their legal advisers and have filed their defence. Default judgement granted by the Court has been obtained against Mr. Ng.

The losses on various financial assistances which are the subject of such legal actions, amounted to approximately HK\$52 million, have already been recognised in the Group's audited accounts. As such, the outcome of such legal actions will not have any material adverse impact on the Group.

The said counter-indemnities shall allow the Company to claim against each of Mr. Yu, Mr. Ng, Mr. Cheung and each of the Wellstep Minority Shareholders for any loss incurred under the provision of Security in relation to the Loan Facility. For the avoidance of doubt, the writs set out above did not include the pro-rata share of the Security which should have been contributed by the Wellstep Minority Shareholders relating to the Loan Facility.

REASONS FOR THE CONTINUOUS PROVISION OF THE SECURITY

SHJQ has established a strong presence in the PRC marketplace, in particular in Shanghai and it serves as a platform for the Group to continue to pursue the curtain wall installation business in the PRC.

The purpose of continuous provision of the Security is to continue to secure the Loan Facility granted by the Lending Bank to SHJQ to meet its working capital requirements for construction works of the projects undertaken by it. Without the provision of the Security, SHJQ will be unable to continue to access the Loan Facility as it does not have sufficient assets accepted by the Lending Bank as security. The Directors consider that it is in the interest of the Company to assist SHJQ to raise fund through the Loan Facility because SHJQ can use the Loan Facility as working capital to carry out construction works of the projects undertaken by it. Therefore, it is beneficial for the Company to continue the provision of the Security.

The Directors consider that the Security is on normal commercial terms, in the ordinary course of business of the Company and the terms of the Security are arrived at after arm's length negotiations between parties.

GENERAL

The Company has also reported to the Stock Exchange that there are other connected transactions of similar nature and is in the process of preparing an announcement with respect to such transactions. The Stock Exchange is also of the opinion that these other connected transactions constitute breaches of the Listing Rules. The Stock Exchange reserves the right to take appropriate actions against the Company and its directors regarding these breaches of the Listing Rules.

The Company is of the view that the Wellstep Minority Shareholders, their respective sole beneficial owners and other minority shareholders have provided counter-indemnities in favour of the Company to the effect that their respective pro-rata shares of all losses and liabilities which the Company may incur are covered, the financial assistance provision of the Listing Rules should not apply to the provision of Security in July 2002 and the majority of the other connected transactions as set out above.

DEFINITIONS

“CCW”	Condo Curtain Wall Company Limited, a company incorporated in Hong Kong and an indirect 52 per cent.-owned subsidiary of the Company
“CEC”	Condo Engineering (China) Limited, a company incorporated in Hong Kong and an indirect 52 per cent.-owned subsidiary of the Company
“CGL”	Condo Group Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“CMB”	China Merchants Bank
“Company”	ONFEM Holdings Limited
“Court”	The High Court of Hong Kong
“Directors”	directors (including the independent non-executive directors) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Lending Bank”	China Merchants Bank Shenzhen Shangbu Sub-branch
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility”	the loan facility to the extent of RMB11,000,000 granted to SHJQ by the Lending Bank on 22 July 2002
“Mr. Cheung”	Mr. Cheung Sui Keung
“Mr. Ng”	Mr. Ng Tze Kwan
“Mr. Yu”	Mr. Yu Lap On, Stephen
“Mr. Zhao”	Mr. Zhao Weiwei
“Mr. Zhou”	Mr. Zhou Kailin

“PRC”	the People’s Republic of China
“Security”	the pledge of a cash deposit of HK\$11,000,000 of the Company on 19 July 2002 with CMB in respect of the Loan Facility
“SHJQ”	Shanghai Jin Qiao Condo Decoration Engineering Company Limited(上海金橋瑞和裝飾工程有限公司) , a Sino-foreign cooperative joint venture and a 90.39 per cent.-owned subsidiary of CEC
“SHJQ Minority Shareholder”	the minority shareholder of SHJQ, namely Shanghai Huayuan Aite Curtain Wall Engineering Company Limited (上海華源愛特幕牆工程有限公司) , a company incorporated in the PRC holding 9.61 per cent. of the beneficial interest in SHJQ and an independent third party not connected with the directors, chief executive, substantial shareholder of the Company or any of its subsidiaries or an associate of any of them.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wellstep”	Wellstep Management Limited, a company incorporated in the British Virgin Islands and an indirect 52 per cent.-owned subsidiary of the Company
“Wellstep Minority Shareholders”	Turner Overseas Limited, Spirit Sunshine Inc. and Silver Lake Asia Corporation
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong from time to time
“RMB”	Renminbi, the lawful currency of the PRC from time to time

By order of the Board
Wang Xingdong
Managing Director

Hong Kong, 18 July 2003

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