

The Directors are pleased to present their annual report together with the audited financial statements of Ocean Grand Chemicals Holdings Limited (the “Company”) for the period from 29 July 2002 (date of incorporation of the Company) to 31 March 2003. Attached to the audited financial statements is the proforma financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31 March 2003 prepared on the basis set out on page 35.

GROUP REORGANISATION AND SHARE LISTING

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group formed after the completion of the Reorganisation on 9 June 2003. Details of the Reorganisation are set out in note 8(c) to the financial statements. Shares of the Company have been listed on the Stock Exchange since 30 June 2003. Proforma financial statements of the Group, based on the group structure following the Reorganisation, are set out on pages 30 to 62 to this 2003 annual report.

PRINCIPAL ACTIVITIES

The Company is a holding company. Its subsidiaries are principally engaged in the subcontracting, manufacturing and trading of precious metal electroplating chemicals (being gold salt, silver salt, palladium salt and rodium sulphate) in the PRC and Hong Kong. The production bases are located in Zhuhai City, the PRC, and Hung Hom, Hong Kong. In addition, its subsidiaries also provide subcontracting service of palladium salt to customers in the PRC through co-operation with Changzhou Chemical Research Institute Company Limited.

Segmental information of the Group’s turnover and contribution to profit from operations for the year ended 31 March 2003 is set out in note 28 to the proforma financial statements.

CUSTOMERS AND SUPPLIERS

For the financial year ended 31 March 2003, the five largest customers of the Group accounted for approximately 64% of the Group’s turnover, while the five largest suppliers accounted for approximately 96% of the Group’s total purchases. In addition, the largest customer of the Group accounted for approximately 38% of the Group’s sales revenue and the largest supplier of the Group accounted for approximately 61% of the Group’s purchases.

None of the Directors, their associates, or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company’s share capital) had a beneficial interest in the Group’s five largest customers and five largest suppliers.

RESULTS AND APPROPRIATIONS

Details of the Company's and the Group's results for the period/year ended 31 March 2003 are set out on pages 21 and 30 to this 2003 annual report.

The Directors recommend the payment of a final dividend of HK4.0 cents per share (2002: Nil) totalling HK\$19,000,000 to the shareholders registered in the Company's register of members as at the close of business on 4 September 2003. As no interim dividend was declared by the Company during the year (2002: Nil), the total dividend per share for the financial year ended 31 March 2003 is HK4.0 cents (2002: Nil).

SHARE CAPITAL

Movements in share capital of the Company are set out in note 7 to the financial statements.

RESERVES

Movements in reserves of the Group are set out in note 19 to the proforma financial statements.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 4 to this 2003 annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares on the Stock Exchange during the year ended 31 March 2003 (2002: Nil).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and the laws of Bermuda.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 13 to the proforma financial statements.

FIXED ASSETS

Movements of fixed assets during the year are set out in notes 10 and 11 to the proforma financial statements.

BANK LOANS AND BORROWING COSTS CAPITALISED

Particulars of bank loans as at 31 March 2003 are set out in note 17 to the proforma financial statements. Borrowing costs capitalised by the Group during the year in respect of construction-in-progress amounted to HK\$6,080,000 (2002: HK\$1,587,000).

PENSION SCHEMES

Details of the pension schemes are set out in note 21 to the proforma financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group are set out in note 22 to the proforma financial statements.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 8 to the financial statements and note 27 to the proforma financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year and up to the date of this 2003 annual report were:

Mr Yip Kim Po, Chairman	(Appointed on 19 August 2002)
Mr Hui Ho Ming, Herbert, Deputy Chairman	(Appointed on 19 August 2002)
Mr Lau Ping	(Appointed on 19 August 2002)
Mr Lin Jianping#	(Appointed on 20 May 2003)
Dr Lo Wing Yan, William*	(Appointed on 20 May 2003)
Mr Or Kwong Yiu, Brian	(Appointed on 19 August 2002, resigned on 19 November 2002)
Mr Yao Zongren	(Appointed on 19 August 2002)
Mr Yeh V-nee*	(Appointed on 20 May 2003)
Ms Yip Wan Fung	(Appointed on 19 August 2002, resigned on 25 March 2003)

Non-Executive Director

* Independent Non-Executive Director

In accordance with the bye-law nos. 86(2), 87(1) and 87(2) of the Company, Mr Lau Ping, Mr Lin Jianping, Dr Lo Wing Yan, William, Mr Yao Zongren and Mr Yeh V-nee will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Neither of the Directors being proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation) with the Company.

Mr Lin Jianping, a Non-Executive Director, Dr Lo Wing Yan, William and Mr Yeh V-nee, both Independent Non-Executive Directors, were appointed for a term of one year, subject to rotation as stipulated in the Company's bye-laws.

DETAILS OF DIRECTORS

Brief details of Directors are set out on pages 18 and 19 to this 2003 annual report.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2003, the Directors and the chief executive of the Company had no obligation to disclose their interests in the Company under the Securities (Disclosure of Interests) Ordinance. However, immediately upon the listing of the Company's shares on the Stock Exchange, each Director and the chief executive of the Company is under a duty to disclose his interest under the Securities & Futures Ordinance (the "SFO").

As at the date of this 2003 annual report, the Directors had the following beneficial interests in the shares of HK\$0.10 each in the capital of the Company within the meaning of the SFO, as recorded in the register required to be kept under section 352 of the SFO:

Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total interests
Mr Yip Kim Po	–	–	–	Note	Note
Mr Hui Ho Ming, Herbert	–	–	–	Note	Note
Mr Lau Ping	–	–	–	Note	Note
Mr Lin Jianping	–	–	–	–	–
Dr Lo Wing Yan, William	–	–	–	–	–
Mr Yao Zongren	–	–	–	Note	Note
Mr Yeh V-nee	–	–	–	–	–

Note:

Successful Gold Profits Limited is the registered holder of 356,136,000 shares in the Company. Successful Gold Profits Limited is a wholly-owned subsidiary of Ocean Grand Holdings Limited. Ocean Grand Holdings Limited, by virtue of the SFO, is deemed to be interested in all the shares in which Successful Gold Profits Limited is interested.

As at the date of this 2003 annual report, the securities of Ocean Grand Holdings Limited are listed on the Main Board of the Stock Exchange. Mr Yip Kim Po, Mr Hui Ho Ming, Herbert, Mr Lau Ping and Mr Yao Zongren directly and indirectly held approximately 31.49%, 0.25%, 0.18% and 0.01% respectively of the issued share capital of Ocean Grand Holdings Limited.

Save as disclosed above, the Company had no notice of any interests and short positions in the shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

Save as disclosed under the headings "Directors' Interests in Shares" above, none of the Directors or chief executive or their spouses or children under 18 years of age were granted or exercised any right to subscribe for equity or debt securities of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the preceding paragraphs and note 22 to the proforma financial statements, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the following entity (not being a Director or chief executive of the Company) had registered an interest in 10% or more of the issued share capital of the Company:

Name	Number of shares	Percentage shareholding
Successful Gold Profits Limited	1,000,000	100%

As at the date of this 2003 annual report, the following entities (not being a Director or chief executive of the Company) had registered an interest in 5% or more of the issued share capital of the Company within the meaning of the SFO, as recorded in the register to be kept under section 336 of the SFO:

Name	Number of shares	Percentage shareholding
Successful Gold Profits Limited	356,136,000	74.98%

Save as disclosed above, the Company had no notice of any interests or short positions in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CODE OF BEST PRACTICE

The Company was listed on the Main Board of the Stock Exchange on 30 June 2003. Thus, during the period from 29 July 2002 (date of incorporation of the Company) to 31 March 2003, the Group was not subject to compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. Nevertheless, the Group has complied with the Code of Best Practice since the listing of the Company on the Stock Exchange.

AUDIT COMMITTEE

The terms of reference based on "A Guide for Effective Audit Committees" published by the Hong Kong Society of Accountants in February 2002 was adopted by the Board to deal clearly with the authority and duties of the Audit Committee.

The Committee's principal duties is to review and supervise of the Group's financial reporting process and internal controls. The Committee comprises Mr Yeh V-nee (the chairman), Mr Lin Jianping and Dr Lo Wing Yan, William.

AUDITORS

Messrs Moores Rowland, *Chartered Accountants, Certified Public Accountants* have acted as auditors of the Company since its incorporation on 29 July 2002. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Yip Kim Po

Chairman

Hong Kong, 24 July 2003